THE EMPIRE CLUB

ADDRESSES 1975-1976

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1975-1976

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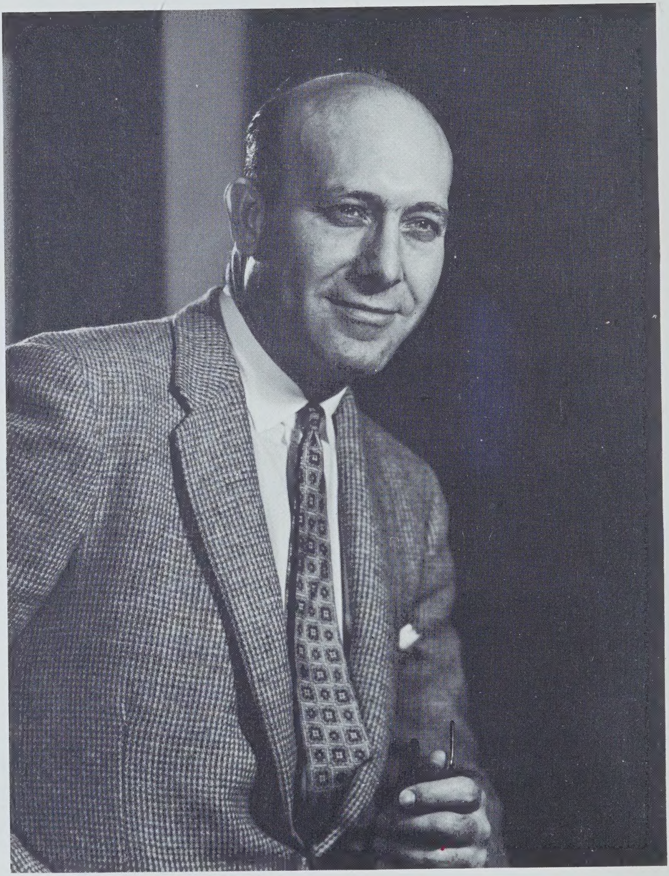

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ADDRESSES 1975-1976

The Empire Club of Canada

SEVENTY-THIRD YEAR

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Preface

The Empire Club of Canada, in accordance with its traditional policy, is pleased to present the Empire Club Addresses 1975-1976. In a world where crisis appears to be endemic, our land and our lives have been buffeted by the changing fortunes of national and international events and circumstance.

It has been a privilege for us to provide a forum for the public airing of views by our prominent guest speakers on the problems and issues of our time. We were particularly honoured to have addresses delivered at special events by the Right Honourable Margaret Thatcher, P.C., M.P., Leader of the Conservative Party and, as such, Leader of the Opposition of the House of Commons in Britain, and by Mr. Joseph Clark, the Honourable Member of Parliament for Rocky Mountain, Alberta; leader of the Progressive Party of Canada; and leader of Her Majesty's loyal opposition in Parliament.

But to all those whose presentations we were pleased to host, we offer and record our thanks and appreciation.

H. Allan Leal
President, 1975-76

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MAY 1, 1975

Waste in the West

AN ADDRESS BY Most Reverend Donald Coggan,
THE ARCHBISHOP OF CANTERBURY

JOINT MEETING The Empire Club of Canada
The Canadian Club of Toronto

CHAIRMAN E.H. Heeney, President
The Canadian Club of Toronto

MR. HEENEY:

Your Grace, My Lords, ladies and gentlemen: This is a great day in the life of the Canadian Club of Toronto and of The Empire Club of Canada. Archbishop Coggan was enthroned only last January and it is our very good fortune to have him as our guest today so early in his career as the incumbent of this high office. We join, too, his many friends in saying welcome back to Toronto. He was, as you know, on the staff of Wycliffe College for several years and we are pleased that he has come back to Canada and to this city, even though for only a short visit. Our only regret is that he is not accompanied by Mrs. Coggan. Her friends tell me that she and her daughters made a niche for themselves here that is just never going to be filled. Will you please take to them, Sir, the good wishes of this joint meeting.

Both clubs have sent out to their members, with the Notice of Meeting, the curriculum vitae of the Archbishop and I shall not repeat it. May I recall, however, that he is the 101st Archbishop of Canterbury. His enthronement took place in that ancient Cathedral, the site of which was selected by St. Augustine in 602 A.D. Present in the Cathedral at the service were members of the Royal Family, the Prime Minister, leaders of the other political parties, Lord Mayors, Cardinals of the Roman Catholic Church, Patriarchs of the Eastern Orthodox Churches, Primates, Archbishops, Bishops and leaders of many denominations from various parts of Christendom around the world — a truly ecumenical event.

His Grace, by virtue of his office, is the spiritual leader of the Anglican Communion throughout the world and is the mentor of something of the order of 400 million people. It is difficult to visualize 400 million people and the great force for good that such a vast crowd could be. Perhaps the opportunity for the leader of such a group can best be put into perspective by recalling my favourite Old Testament story. The Red Sea rolled back for Moses and he had the support of only a *few hundred thousand.*

Wherever and whenever Christian leaders gather, the Archbishop of Canterbury will be present. Dr. Coggan is the worthy successor to all those of that band of great Churchmen who preceded him. He is one of those men of the spirit whose responsibility it is to preserve and pass on the Christian heritage from one generation to the next. He is one of those few, in this terribly confused and confusing world, whose motives are never in question, whose mandate is clear and whose faith is firm.

Ladies and gentlemen, I have the high honour of presenting to you His Grace, the Most Reverend and Right Honourable Donald Coggan, the Archbishop of Canterbury.

THE MOST REV. DONALD COGGAN:

Mr. President, My Lords, ladies and gentlemen: it is a very great joy to me to be back in what for me is a very beloved country. For having spent seven happy years here, had two daughters born here and been

Most Reverend Donald Coggan, The Archbishop of Canterbury, with E.H. Heeney (left), President of The Canadian Club of Toronto, and H. Allan Leal, Q.C., President of The Empire Club of Canada.

back several times since, Canada has a place in my affections and indeed in those of my wife, far greater than any other country in the world apart from the little island where we were both born.

I am very grateful to you, Mr. President, for the kind way in which you have introduced me today, and for the over-kind words with which you have written up my undistinguished life. I remember the story of the man who was introduced, perhaps over-flatteringly, when he was about to make a speech. When he got up to reply to the introduction, he said that he felt that he had to offer up two prayers for forgiveness: one, forgiveness for the man who introduced him because he told so many lies, and the second for himself because he enjoyed it so much. These things are very bad for one's pride, Mr. President, and so we will pass on from these unimportant matters to what I want to speak to you about today at this combined meeting — and may I say how glad I am that the Canadian Club has joined with the Empire Club so that I have such a magnificent audience to which to speak.

I speak to you as men and women, all of whom occupy positions of strategic importance, and therefore if I speak with a measure of seriousness today you will understand that I do so because I believe you can convey anything of truth in what I am saying to your own circles of influence. I see this as the dropping of a stone into a pool, and I hope that the circles may spread in ever widening influence.

If I may begin with a truism, it would be to say that our world has become a global village. The world is on our doorstep. I breakfasted yesterday in Lambeth by the Thames, I dined last night here after a leisurely journey to Toronto. But as I travel on my errand through the world, I am of course, as any of you must be who travel, appalled by the gap that yawns between luxury and poverty, appalled by the contrast between our world and what has come to be known as the Third World. So long as we in the West remain complacent about that kind of yawning gap, we sow the seeds of disaster which might come very quickly, the seeds of war, the seeds of hate, and the seeds for the spread of those creeds which we least want to see in our little world.

And so it is that I take for my theme today the theme of waste in the West. I want to share with you a concern about this. I want to illustrate my theme from various aspects of our late 20th century life. I think, of course, of the waste that comes through the pollution of our world, of the air, the sea, the land, a pollution which is very often due to the fact that we are so rapacious that we cannot wait to think and plan. And so it is that we turn beautiful land into dust bowls, simply because we will not plan, we will not wait; we must get rich quick.

I think of the wastage of food. I suppose that an Indian village could keep going for several weeks on what we have thrown out from lunch today. I'm reminded of the fact that during the course of this year, some forty or fifty million people will die, in this little global village, through starvation.

I think of the wastage of human life, not only through war (and one thinks particularly of course of those ghastly thirty years of war in Vietnam, now please God, ending), but I think of the wastage of life through abortion laws that have gone wrong. This is one of the problems we are facing back in England today, that we passed through Parliament an abortion law which has proved, I was going to say, abortive. It reminds me of a street car running down hill and the brakes have failed. We drafted it, I think, far too widely. The result is that the best gynaecologists and doctors are becoming extremely anxious about this. There is a stress on the consciences of the gynaecologists and some appalling jobs for the nurses. The thing has got out of control, and I think this is because we have failed to have that reverence for life of which Schweitzer used to speak so much, and which indeed was the centre of his whole philosophical theology.

But I think in terms of wastage of life, not only of abortion and that irreverence for life which can begin a life and then destroy it, as it were at the drop of a hat, but I think of the way we are wasting some of our best youth.

Last month, in the London *Times,* there appeared an article headed "Ten Thousand Pounds (not dollars) a Day for Manchester Vandalism", and the gist of that little article which I hold in my hand is that those who perpetrate that vandalism, which wastes some three and a half million pounds per annum, are in the age groups between ten and twenty, and twenty and thirty. Now I am speaking here not simply of the waste of money, of buildings that are desecrated, but of the wastage of youth who haven't got anything better to do. I ask whether perhaps that vandalism may be due to the fact that there is a passion to get rich quick which makes for dead-end jobs.

Before I start labelling the people who perpetrate that violence as thugs or what you will, I ask myself whether I might not have been among their number if I came from the kind of homes from which some of them do, and if I had the kind of boring job that they have. I don't excuse them, but I don't condemn them quite so readily until I've asked what it is that leads to those conditions.

I think again of the wastage in our universities. I wouldn't know whether this applies to Canada, for I'm out of intimate touch with the life of this country. But in our own little country of England, too many young people are sent up to the universities who are unsuitable for a university education, very often because the parents are so proud that they want to push little Johnny ahead and themselves get the glory. This means not only a waste of money to the state who has to support the student, but a waste of confidence in the students who don't make the grade. So they start off their career on the wrong foot.

I am very much wondering whether, with the earlier age of retirement into which we are now coming, we are not very often wasting the expertise and experience of people who retire in their late fifties or early sixties. It seems to me that we ought to give some rather hard thinking to the possibility of using what these men and women have gained down the years, even when they are not employed fully as before.

Now I realize that it is easy for me at a luncheon like this to speak about waste, waste of our sea and land and air, waste of our food, waste of our life, waste of our resources. It's very easy for me to do that and some will say, "Yes, Archbishop, physician heal thyself. How are you getting on in the Church?" And here I bow my head in a certain element of shame, for I have very real anxieties on that score. I think, for example, of how slow, how terribly slow we are in getting on with the job of Christian unity, and the result of that slowness means that there is not only an appalling waste in our resources of money and of buildings, but also of man and woman power. I think it may very well be that the Almighty will make us get together, those of us who have been unable to do so on theological grounds, make us get together on economic grounds.

But let me be more practical. What can a group of men and women like this, all occupying positions of responsibility and influence, do in the face of this problem of waste in the West?

I'm going to suggest there are two things we can do.

First, I think we can make people aware of the problem which I have been sketching and which you yourselves could elaborate far more fully. I think we must do this, and bring to bear on the problem all the resources of science and common sense. What we need, I think, is long-term planning rather than immediate urgent action. Let me illustrate what I mean from recent disasters in Ethiopia.

I went to Addis Ababa two or three years ago to preside at a conference. I stayed in that wonderful city, a modern, beautiful city, and was entertained to afternoon tea. But I knew that if I were to move up country, even only a matter of a few miles, I should run into the most appalling problems of land disposition, land tenure, agriculture and communication, such appalling conditions of travel that a woman, perhaps about to have a baby, might have to travel three days on donkeyback before she could get medical aid. Those were the conditions two or three years ago in Ethiopia.

Then tragedy struck. I don't suppose anybody quite knows how many tens or hundreds of thousands of people died through starvation. The hearts of the people in the West were touched. They always are, and rightly so, when there is some emergent disaster. We poured in our money and we did a little healing operation.

But what was really called for was long-term international thinking to bring about proper communications, and pressure upon governments for proper land tenure and disposition. The money that we poured in was simply palliative. What was needed was international thinking and pressure for long-term remedies.

I was glad to know that one of our own cabinet ministers, Mrs. Judith Hart, has put herself very strongly behind the formation of a disaster unit on an international basis, so that when there is some great international tragedy there can be at once international co-ordination so that the disaster may be met.

This is the sort of thing that I think we ought to be conscious of and bring all our power to bear on those who have influence in governmental circles, making people aware of the problem of waste, and applying our influence to those in positions of authority and power.

But the second thing we can do is this. We must look to the basic questions that lie behind the problems of waste. We must do some far more radical thinking than most of us are prepared to do. *The Times,* that gave me my text for today in connection with that £10,000 a day vandalism waste in one city in the north of England, refers to this as part of a nation-wide malaise. It's so in every great nation, and if you multiply that three and a half million per annum for one city in Britain, what must it be in the West alone?

What does *The Times* mean when it speaks of a nation-wide malaise, a sickness, behind this appalling waste? It makes me ask certain questions. For example, is there a connection between the vandalism of those young people in the age groups ten to twenty, twenty to thirty, a connection between that and the break-up of marriage? This is to say, if you have an unstable home where Mum and Dad don't get on, or live in two separate homes, or where a youngster has never known the discipline and the love of a father and a mother but only one or the other, if you have that kind of situation is it that which produces your young vandal? I think it is, because the sheer figures show that in the courts, young people who come before the judge are predominantly those who come from broken homes.

The sooner we face that problem, the better.

These figures make me ask a second question. It's a question about education. Is the kind of education that we are giving to our young people today adequate to help them to meet the strains of adolescence, the strains that the media bring to bear on them, all the strains of a highly technical and very sophisticated late 20th century? If I may pinpoint that a little more closely, to those who are interested in the education of the young, is a mild dose of comparative religion in the schools an adequate substitute for what we used to know as religious education? I don't think it is. If your children come from homes in which God is hardly ever spoken of except in a swear word, where mother and father never go to church with them on any regular basis, where father and mother never say to the youngsters, "Come on, kids, let's kneel down and have a prayer together," and where the Bible is only referred to when you want a crossword clue, and then at school they get a mild dose of comparative religion instead of religious education, can you blame those youngsters if they have no moral code, nothing to undergird them, and if they break out in violence against the society that hasn't given them any guidelines? Don't blame the youngsters. Blame the home situation and the educational situation. The two are intertwined.

Now when you get on to that kind of thinking, the asking of those fundamental questions, you come of course to even deeper questions that lie behind them. For example, what sort of person am I? What is man? Am I just a bunch of chemicals that would sell for about fifty cents? Yes, I am, from one point of view. Am I a hundred billion cells in some marvellous formation? Yes I am, from one point of view. Am I just the highest in a series of the animal evolution? Yes I am, from one point of view. Am I just here today, and gone forever? "When I die, I rot," said Russell.

Or is it possible that I am, in addition to all that, God's vicegerent in His world, responsible for the use and not the abuse of my world, which is God's world, so that I do my bit in *not* polluting it, responsible for my use of sexuality, responsible for my use in the creation of new life and the protection of the young? Am I, in other words, just the best in the line of the animal creation? Or am I a someone who, quite literally, is responsible, answerable to a God who is at once Creator and Redeemer?

May I ask another question? This lies back of the fundamental questions we are facing together. This mysterious person — what is his relationship to his fellows?

It can be one of hate. In my study, last Sunday afternoon, in Canterbury, I had a little lady talking to me who hardly ever spoke to her husband though she lived in the same house with him. She didn't know, I think, that some weeks before I had had her husband telling me much the same thing! We laugh, but it's a terrible tragedy, a relationship of hate.

What's my relationship with my fellow? Is it simply one of competition — who will get to the top first? Or is it in fact a relationship of love, of respect for him as a person, destined with me for an eternity to be spent somewhere or other? Is the parable of the Good Samaritan, the one who fell by the wayside being anybody in need, be it in the next street or in Bangladesh, just a pleasant story that Jesus told to entertain his hearers, or is it the only basis on which civilized life can exist?

These are the fundamental questions. And so what began as a talk with a rather peculiar title, "Waste in the West", lands every one of us straight in the midst of theology and religion. But, of course, so do all the great questions — the issues of life, and death, and love and human destiny are fundamentally theological and religious questions.

There is a waste which is no waste. There was a woman, you remember, who had not very much, but she had a box of very precious ointment, and she went and broke it over the head of Jesus. The friend said, "What a waste!" But He said, "What a lovely thing!"

It all depends on how you look at things and people and love and life. Do you measure by cash, or do you measure in the light of eternity? There you are — in theology and religion again. I guess it's the right place to be.

Our distinguished visitor and speaker was thanked on behalf of the audience by H. Allan Leal, Q.C., President of The Empire Club of Canada.

MAY 15, 1975

Invisible Success Story

AN ADDRESS BY Lord Limerick,
PRESIDENT OF THE ASSOCIATION OF BRITISH CHAMBERS OF COMMERCE

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

My Lord, ladies and gentlemen: It is a happy circumstance that the visit of our distinguished guest today coincides with the presentation of a symposium of British Technology called Tech-Ex. We are grateful to the British Canadian Trade Association and the British Consulate-General, Toronto for their co-operation in making it possible for Lord Limerick to be with us on this occasion.

Our guest was born Patrick Edmund Pery and he succeeded his late father as the sixth Earl of Limerick in 1967, an Irish earldom created in 1803 about the time of Trafalgar in the period of the Napoleonic Wars. He was educated at Eton and at New College, Oxford. New it was in terms of the date of its founding as compared to the original Oxford Colleges, and "New" in name it remains, although founded in the late 14th century. Lord Limerick is a chartered accountant by profession, an international commercial banker by avocation, and a devoted public servant and a Conservative by conviction.

His association with Kleinwort, Benson Ltd. as Executive Director and Comptroller has involved him in financial and business affairs in the Middle East, Africa and Australasia. He is the President of the Association of British Chambers of Commerce, a Council member of the London Chambers of Commerce, Deputy Chairman of the Committee for Middle East Trade and a member of the British Overseas Trade Board. At present he sits as a Conservative Member of the House of Lords, and he was Parliamentary Under-Secretary of State for Trade at the Department of Trade and Industry in the Heath Administration.

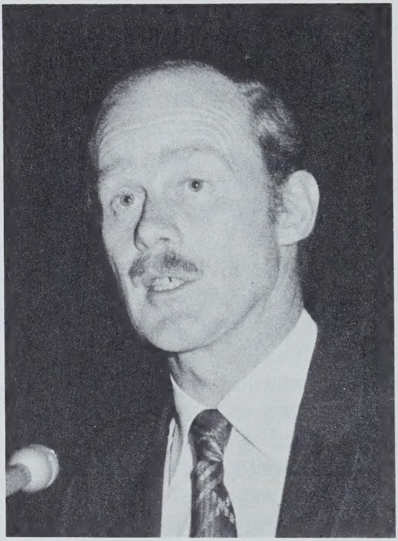
As a young undergraduate in the mid-thirties, I read a book spelling the doom of British industry due to its refusal or inability to rationalize its production, financial and administrative processes. Neither the author of that book nor its reader on that occasion could know how soon the thesis was to be tested nor how wide of the mark it would be proven to be.

I know you will want to join with me in extending a warm welcome to Lord Limerick who will address us on his chosen subject, "Invisible Success Story".

LORD LIMERICK:

Mr. Chairman, ladies and gentlemen: there are at least two forms of introduction — the gracious and the grudging. An example of the grudging introduction would be that given by a British diplomat who left his post in Pakistan. He was asked by his cook for a reference, and he commended him to his successor with the words, "Ali Noor has been doing for me for the last three years. If you engage him, I'm sure he will do for you too." Yours, Mr. Chairman, was a very gracious introduction. I'm glad that you made it clear that I was not a Founder Member of New College in 1376.

I am very conscious at this moment that there is no such thing as a free lunch. You gave me many openings. I could speak to you as one who was, for a while, a politician. I shall not do that, partly because I remember too well the definition that was given to me in the 1970



Lord Limerick,
President of the
Association of British
Chambers of Commerce.

election by Reg Maudling who said, "I've just been told that a politician is a man who approaches every subject with an open mug." The second reason is that I was perhaps the most unlikely politician of all time.

The only political initiative I ever took was to reach out my arm and answer the telephone. The voice at the other end said, "This is very impertinent, because I know you sit on the cross-benches, you show no interest in active politics. But hypothetically, if you were asked to join the government, would you be prepared to join the Tory party first?" Remembering some advice that I had once been given, "Never volunteer for anything, but never refuse anything worthwhile that is offered to you," instead of saying on the spur of the moment "Go away, you must be thinking of the wrong man," I said, "What are you asking me to do?" That was worth two years penal servitude.

So it is not as a politician that I want to speak to you.

I remember also Mark Twain's dictum that "there is no substitute for brains, but a man may retain a reputation for quite a long time so long as he keeps his mouth shut." So I shall try to talk to you about the matters where I have at least a passing knowledge.

You referred to me also as a banker. I'll just tell you one story about my native Ireland. It concerns a man who rang up his banker with some query about some government securities that he held in the days when wise men held government securities. The voice at the other end said, "Is it conversion or redemption you're after, Sir?" He paused and thought about that. "You mean, I have a choice?" "Yes, Sir," the voice replied. He paused even longer to work that one out. Then he said, "This *is* the Bank of Ireland, I'm talking to, not the Church of Ireland?"

I do intend, naturally, to say something about Anglo-Canadian trade relations, but first I'd like your indulgence to say a few words about the larger world so as to get this in the right perspective.

I start with three quite general propositions. The first is, that as we look around, economies are rising and falling at a quite unprecedented rate as the balance of resource demand and availability changes. The second proposition is that countries with ample natural resources are going to have a much easier time, by comparison with those which rely on importing and converting. And the third, and perhaps the most relevant, is that there are many constraints, notably of energy supply, which limit the rates of overall world growth, so that as some economies expand rapidly, others and notably the oldest, will inevitably suffer some relative decline.

For us in Britain, this rapid rate of change poses particular questions. Of course, it is tremendously rapid. You see it in the language. We tend to talk no longer just about change, but about the growing change in the rate of change. These sorts of catch phrases illustrate people's concern.

Could I just recall that whereas it was 90 years ago that the last spike was driven in the trans-Canada railway, it's still only 150 years, when with the opening of the Stockton-Darlington Railway in 1825 that man was for the first time able to travel faster than the speed of the horse, and to extend his working and his social radius outside some ten miles a day.

This was followed with quite extraordinary rapidity by the Industrial Revolution, which was based in Britain on the proximity of coal to iron ore, the possession and building up of a merchant marine, and the forging of imperial links round the world.

That pattern has changed quite dramatically, and within only 150 years this great trading empire has grown, has flourished, and has been handed back. Towards the end of that period, Britain herself was economically weakened by the burden of two world wars, and the growing resources of other countries have outstripped ours — they have cheaper or more abundant natural resources. Inevitably, in an old economy, there are withdrawal symptoms, both political and economic. And just as there is a limit to the rate at which technical generations can be compressed into human generations without social disruption, as I think we are all coming to appreciate, so does political adaptation take some time.

That theme of political adaptation leads me to say a word about Europe. I believe that the foundation, the success and the recent expansion of the European Economic Community, the Common Market, is arguably the most hopeful world event since 1945. Men of vision wanted a British association from the start of the Community in 1957, and you will remember that Winston Churchill was advocating this in the 1940's. But the whole issue of political links with Europe, while we still thought primarily in terms of Commonwealth, does afford a good example of these post-Imperial problems to which I referred, and it was only three years ago that Britain and Europe finally established, as De Gaulle might have said, that they were ready for one another. This European issue still rumbles on with the referendum which we face next month. I personally deplore the fact that there should be a referendum, that this should be an issue two and a half years after we signed a treaty. I deprecate the fact that we are holding a referendum, which is a most unwelcome constitutional innovation. But that is not the point at all. The point is that we have to show now decisively that this issue really can be laid to rest, and we are firmly committed members of the European Community.

But meanwhile, the publicity that is given to different views does rather highlight, temporarily, the divisions that exist, and they cut right across party lines. You probably know that the leader of the "Keep Britain In" campaign is Roy Jenkins, who is a Labour cabinet minister, whereas of course the Labour Party Executive has come out against Europe, while the campaign to get Britain out is headed by a Conservative M.P. Three days ago, Roy Jenkins, Ted Heath and the Liberal leader Jeremy Thorpe were to be seen on the same platform, jointly proclaiming loud and clear their belief in the European ideal.

It is significant, I think, that Harold Wilson, who is the only surviving Labour Prime Minister, and all of the four surviving Conservative Prime Ministers (Anthony Eden, Harold Macmillan, Alex Home and Ted Heath) are firmly in favour. I don't know why it is. There are always more Duchesses than Dukes, and there always seem to be more Tory Prime Ministers than Labour Prime Ministers!

Now on the other side, curiously, there is no leadership heavyweight, but nevertheless the result on the 5th of June is not a foregone conclusion, because there are many people who are confused and unhappy, especially over rising prices. Prices have of course gone up substantially over the last two and a half years, and it is awfully easy to assume that these two things have something to do with each other even when they are quite unconnected.

Also involved is the rather artificial question of sovereignty.

The crucial question really is, who wants us to come out of Europe, and where would we turn if we sought to do so?

It is most commonly alleged by the opponents of our membership that we have let down the Commonwealth in some way, and that we are destroying our agricultural system.

I don't want to argue the ins and outs of this. I don't believe it is necessary, because I would point just to two things. One is that the Council of the National Farmers' Union (and Henry Plumb incidentally, the President, is a Vice-President of the Britain-in-Europe movement) took a vote on this a few days ago. There were 5 abstentions, 2 against, and 118 in favour. That's pretty conclusive evidence on the agricultural side.

Likewise, and even more significantly, all our Commonwealth friends, the Jamaica Communiqué and most notably Mr. Trudeau for whose lead on this we are deeply grateful, have made it abundantly clear that they prefer a Britain which is strong in its membership in a thriving community, and they see this to be in their own interests as well as in ours, and also in the world interest that the European Community should be more outward looking than it initially was, and to that I confidently say that Britain has already contributed substantially.

I pray that we are mature enough to recognize our long-term destiny. I think that we are.

If I now return to the state of Canada-U.K. trade relations, it is to acknowledge immediately that they are as cordial as ever they were. But I believe that they cannot be said to be in really good shape, because they are losing weight too fast.

It has been pointed out to me that I am echoing the theme taken by Alastair Gillespie in a speech to the annual meeting of the Canada-U.K. Joint Committee about a fortnight ago when I mention that in the past decade our share of each other's markets has been reduced in each case by one half. We remain the third takers of Canadian exports, and the fourth suppliers of your import needs. But this decline demonstrates that the basis of the trading relationship can no longer be taken for granted.

I don't think that should come as a surprise, because nothing in life which is worthwhile is achieved without effort, and nothing which is worth preserving can survive without constant attention. But it does follow that as there is a decline in the goods traditionally traded in relation to our total trade (actually, our trade is increasing all the time: the numbers are going up but the percentage is going down), new fields must be identified and must be cultivated.

To my mind, there is no doubt what these should be. Already we are important partners in investment. Again, in corresponding figures, we each hold about 10% of our overseas direct investments in each other's countries. The emphasis now should be on increased industrial co-operation, in higher forms of applied science and technology. One form of this, by no means the only one, is the joint venture whereby we benefit from each other's experience, and it turns out that the industrial whole is stronger than the sum of the parts. I have learned that Mr. Gillespie cited telecommunications, aerospace, nuclear technology, high voltage transmission, and oil and gas production as likely examples. In each of those cases, I most fully concur.

Now that talk of technology and co-operation leads me directly into mention of the British displays, both on the national stands and on the stands of many Canadian representatives at the National Industrial Production and Machine Tool Show which is going on now. I was able to visit this show briefly this morning, and shall do so at greater length this afternoon, and I judge its quality to be very high. I hope that a number of you who are professionally engaged will visit it and will also look at the Tech-Ex Display of British technology which is equally impressive and is the only thing of its kind in the show. The British stand is by far the biggest of the national stands and is larger than it has ever been before with the solitary exception of the Exhibition Year.

I think that, taken with the purely technical presentation going on by highly qualified specialists in various fields at the British Technology Symposium throughout this week, gives us something that we can be very rightly proud of.

While I'm blowing the British trumpet, let me go straight on to say that the quality of Canadian imports from Britain is sometimes insufficiently appreciated. I wonder how many Canadians, for example, know that the electricity generated by Ontario Hydro from Pickering A comes from British turbines and that the steam turbine generator sets for the Bruce Peninsula will also be British? How many know that British rotating electrical equipment will be installed by Calgary Power on the Big Horn hydro development in the Rocky Mountains, or that the complete generator and all the turbine shafts and blades for New Brunswick's first nuclear power station will be British-made?

Nearer home, and right overhead as you might say, Britain will be supplying the complete antenna complex for the FM and television broadcasting services to be installed in the CN Tower, and also the television broadcasting equipment to enlarge the provincial educational broadcasting network. You may not know that the floodlights to enable ice hockey matches to be televised in Toronto's Varsity Arena will be British. British engineers are engaged for the design, the engineering and the contract planning of the Sidney Steel Corporation's expansion. There are British hydraulic-powered supports keeping open many Canadian coal mines. There will be British furnaces producing hydrogen for oil desulpherization at the Athabasca sands projects on Lake Mildred. Finally, British machinery will be installed in British Columbia at Burnaby, as part of a major expansion, in one of the largest paper recycling plants in North America.

I give that list without apology. It's a bit long and a bit technical, but I think from our point of view it is important that this should be appreciated. We intend to make that list even longer in coming months.

The next point I'd like to make is that so many of the articles and processes now commonplace throughout the world were invented in Britain. We have not stopped inventing. I'll give you just two quick examples of what I mean.

There's the EMI brain scanner, working very successfully and with some rather dramatic results at the Toronto General Hospital. And one final example. Almost exactly two years ago I had a memorable flight, in company with the Lord Mayor of London and a television comedian in an aircraft designated 002. I'm referring of course to the British prototype Concorde. Any high technology presents great problems and great risks. But when they are successfully overcome, the whole world will benefit. If the flight time from Toronto to London is halved, maybe we shall all see each other twice as often!

Before I leave the British scene, there's the rather important question of our domestic oil and gas supplies. The latest official estimate from last month is that oil production will reach fifty million tons by 1978, will accelerate after that, and by 1980 we shall have passed the self-sufficiency point. Production then will be between 100 and 130 million tons. There are sufficient reserves already proven to sustain that level throughout the 1980's, and should extend far beyond because the estimates of total recoverable reserves are now in excess of 3,000 million tons.

As regards gas, it has happened quicker. The total quantity available will be rising significantly within a few years and stay at a high level certainly all through the 1980's. This gas has been flowing for several years, and last year domestic natural gas provided 95% of our total gas consumption. The impact of these developments on the balance of payments is clearly very substantial.

To round off my energy picture, I would highlight one little-publicized fact which is that by the end of 1974 Britain had produced almost one third of the world's total supply of electricity generated by nuclear means.

I want to go on to say something about a field in which Britain has had substantial and continuing success, the so-called "invisible exporting", which sounds very mysterious but it is simply all of our earnings in the form of interest or profits from investments in foreign enterprises and from provision of services to people living abroad. The direct contrast is with visible earnings derived from the sale of goods abroad.

The services provided under this head are many and varied. Let me give some everyday examples.

When Russian goods are shipped in a British ship, when Canadians fly on British airways and stay in a London hotel, when Americans book for a British show on Broadway, when the Australians insure a factory on the London market, when a British accountant gives advice to a foreign client, or a Japanese trading company raises capital on London's Eurodollar market, these are all examples of invisible earnings, as are merchanting profits on the London metal or commodity exchanges and ship chartering brokerages on London's Baltic exchange. London traditionally has been pre-eminent in providing many of these services and that success story continues undiminished. Britain's private invisible earnings last year grossed over 9.2 billion pounds, and produced a surplus of 2.6 billion. But I don't think figures mean too much. It's much more comprehensible if we put it that these invisible earnings account for more than one-third of our total foreign income, an equivalent to nearly half our import bill. They are, incidentally, second only to those of the United States, and represent almost 12% of world invisibles, which is well ahead of Germany, France and Italy which come next.

A sensible question now would be on the lines of "If you are so good at invisible exporting and are having problems with other forms of exporting, why don't you concentrate and do more of it?" The answer is that we have done just that. It has been no mean achievement during a period which, to take an obvious example, national airlines and banks, national shipping and insurance companies have proliferated round the world, and the governments concerned have increasingly insisted on their use so far as lies within their power. The British success story in increasing invisible earnings and maintaining our share of a growing world invisibles market is a substantial one.

What about the future for these invisible earnings? It looks reasonably bright. Even what appear to be unfavourable developments can be turned to advantage. When new national insurance companies spring up, they will need to reinsure, and London offers the largest reinsurance market. At the beginning of last year, restrictions were removed on American capital markets, and New York consequently has provided a welcome additional source of borrowing for clients of London banks. These London banks have adapted themselves to dealing with the really formidable problems of the so-called unlendable surplus of petrodollars.

One last point is that the City of London has started now actively selling its services overseas. I was rather closely associated with the first of these overseas invisible promotions which took place in Kuwait in December, 1972. Since then there have been repetitions with suitable variations for local requirements in Djakarta, Rio de Janeiro and in Cairo. Later this month there will be a party going to Tokyo and on to Seoul, and in the autumn to Tehran. Each development of local financial institutions can generate counterpart business for London and we hope that these links will be even stronger than they are now with financial institutions of all types in Canada. The City of London, I am happy to report, is alive and well and thriving on competition.

When I was asked to come and talk to you, I consulted one or two of my friends in Canada, and they said, "We want to know what's going on in Britain." Perhaps this part of my talk should be entitled "As others see us". We are of course conscious that, at this difficult transition time, there are reports appearing and analyses being made that are not, to put it mildly, entirely favourable.

Just to focus this, for those who have seen it, I'm thinking of such things as *The Wall Street Journal* article on the 29th of April which was entitled "Goodbye Great Britain", and the remarks on the CBS Evening News program by Eric Sevareid which followed fairly shortly afterwards. Whether we like them or not, these are comments made by people who are our friends and they deserve to be seriously attended to.

I'd like to make three general observations on this before saying anything more. The first is the very obvious point that impressions and judgments are based on what is known to those who entertain the impressions and make the judgments, and that in turn depends on what is reported, what is news. We don't read too much about each other's countries. Sometimes when we do we wish we hadn't. Good news does not travel as well as bad news. Just to give an example of what I mean, it's obviously news in Great Britain when your Prime Minister acquires a bride or becomes a father. Royal visits to Canada are always news, especially if someone happens to lose some skin off his nose. Otherwise it has to be pretty spectacular – such as the Olympic Games under threat. This very rightly arouses the indignant reaction: "What about all the good news?"

I can only say I entirely agree. I come here and read your newspapers. I talk to my friends. What you read about Britain is almost entirely the bad news. That's natural and inevitable.

The second general point is that you should not assume that all of the criticism is well directed. I will take one specific example because it has such a beautiful rebuttal. Mr. Sevareid made the statement that the City of London is financially broke. I'm relying on a certain part of the City of London to provide me with a pension starting in twenty years time and continuing for the rest of my natural life, and I have no qualms at all about my pension. If Mr. Sevareid was speaking of the City of London in the sense of the Municipal Treasury, he might have made some comments about New York City first! But if he meant "the square mile", the financial centre which is known as "the City", then I think that's a ludicrous comment and it detracts from the rest of his observations. But I wanted to quote you the response which came from my good friend William Clarke who is the Director of the Committee on Invisible Exports. This was reprinted in a letter which he sent to *The Times* a week ago. It reads like this: "You are quoted here as saying that the City of London is financially broke. If correctly quoted, this is rubbish. As you should remember from your pleasant stay here, the City of London is the name for the financial centre of Britain, like Wall Street. Its foreign earnings have doubled in the last five years, and are bigger than New York. It is the centre of the world's Eurodollar market, has the largest international insurance market, the largest international commodity markets, the world's leading bullion centre, the biggest shipping and airfreight market, and boasts more international security quotations than any other centre. It also has more American banks than New York. Why not ask them why they are here."

My third and even more general observation is that any socially and democratically mature society has a high degree of adaptability which regularly falsifies charts and long-range forecasts. If we go back to the earlier part of the 19th century, you will remember the Malthusian projections. They showed that the world would no longer be able to feed itself by 1900. Necessity, proverbially, is the mother of invention, and human responsiveness to necessity has regularly mothered the necessary inventions or brought about the necessary changes of direction. And the direst predictions about the British economy, indeed any other economy, will never be realized because as a mature people we simply won't let them happen.

It is a trite saying, but there are others before who have made the mistake of writing Britain off. 1940 was an obvious time, and faced with necessity Britain has always responded.

Those observations may help to put the problems into perspective. One cannot pretend that they are other than serious, and they should be squarely faced.

There is a shift in policy which is certainly called for, a shift towards sounder housekeeping involving some real cuts in public expenditure. We are now spending 60% of the national product in the public sector and that imposes a very great burden in our mixed economy on the private sector, who create that wealth. It's been difficult for them to plough back the necessary investment — the result of a combination of declining profitability and high taxation

– and this obviously has an impact on future productivity.

There is a growing awareness of these problems. I am quite confident that this shift will come about although I can't precisely predict what political convolutions we may go through to make it possible. But it was with this question in mind that I asked a friend what I should say to a crowd of very knowledgeable Canadians who wanted the truth about Britain. His reply is significant, because he was a prominent member of the last Labour Cabinet. "Tell them," he advised me, "that we are suffering from a temporary surfeit of parliamentary democracy." So I am now telling you just that, and it is on his and my bipartisan authority.

In a way I think it does sum up the problems of the moment. We have too much irrelevant or interfering legislation, too much nannying of a basically vigorous people, too much so-called democracy exercised by activist minorities outside Parliament itself, and too little respect for Parliament's ability to enforce the rules which are really needed.

These are all symptoms of the rapid change which I talked about at the beginning and they are in no way peculiar to Britain.

I think we are in danger, certainly in the older societies and possibly some of you might think even here, of making two bad mistakes. One is confusing equality of opportunity, which is an ideal we all should support, with equality itself. Egalitarianism is inevitably regressive, and breeds destructive jealousies. That distinction was well understood by the anonymous advertiser in *Pravda*. His advertisement read, "Comrade possessing own knife and fork wishes to meet other comrade possessing own steak and kidney pie."

All of these factors are common in varying degrees to many or most of the industrialized countries. The question then becomes, is the British political and hence economic malaise fundamentally different from that of comparable economies, or have we merely caught an earlier dose of what is coming to everyone.

I believe that the reality is somewhere in between the two. You may remember the three concluding sentences from the *Wall Street Journal* article. They read, "Goodbye Great Britain. It was nice knowing you. Since we're following down the same road, perhaps we'll meet again."

We shall indeed meet again. I believe it will be *up* the road, when we have turned around.

I said we were in danger of making two bad mistakes. The second is our sense of values, what we think really matters most and the way in which we pursue it. Your Chairman in his introduction did not tell you one thing about me, which is that I am a mountaineer. I suppose that every mountaineer is partly an idealist, otherwise why should he get up at three o'clock in the morning and be cold and wet and tired and hungry and frightened by turns, and then come back and say he had a marvellous day. I believe that we all have to look beyond our immediate preoccupations. We have to lose this hypnotism exercised by materialism, the weight of the pay package. We've got to think a little bit as the mountaineer thinks.

There are two quite distinct phases. One is the technical planning and the execution of an expedition. But the first is the lifting up of the eyes and the perceiving of the peak and deciding that there is something that is worth doing, deciding that it is your objective to achieve it. You won't achieve it unless the technicalities are right, but unless you have lifted your eyes first, you won't start.

I would just like to leave this thought with you. I've been lucky enough to know some great mountaineers. I've climbed with John Hunt and four others of his team from Everest. They have one thing in common. They are all extraordinarily unselfish people. The reason they succeeded, and the reason that the international expedition in 1971 did not succeed, was quite simple. In the first case, there was a body of people who accepted as a single objective that there was something worth doing and they were all in it together. In the other case, there were a lot of individualists who were concerned with being the first German, the first Italian, the first Swiss lady if you please, to get to the top of Everest. They didn't get much beyond base camp.

I hope that all of us in our different ways can make some contribution to this lifting up of the eyes.

Our distinguished visitor and speaker was thanked by Mr. Charles C. Hoffman, a Director of The Empire Club of Canada.

SEPTEMBER 25, 1975

The Heirs of Runnymede

AN ADDRESS BY The Rt. Hon. Margaret Thatcher, P.C., M.P.,
LEADER OF THE OPPOSITION,
BRITISH HOUSE OF COMMONS

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Your Honour, Mr. Treasurer, ladies and gentlemen: We bid you welcome to the opening meeting for this year of The Empire Club of Canada. We are privileged to have with us at the head table today, Her Honour, the Lieutenant Governor of Ontario, the Honourable Pauline M. McGibbon, the esteemed Honorary Vice-President of this Club, and I know you will want to recognize her presence. We are also delighted to have with us the Honourable W. Darcy McKeough, Treasurer of Ontario and Minister of Economics and Intergovernmental Affairs, here in his own right and also representing the Premier of the Province. A list of the names and affiliations of the remaining distinguished head table guests appears on the back of the printed program, with Mr. John Irwin substituting for Mr. Martin in the Royal Commonwealth Society. We are most pleased that they were able to be with us on this occasion.

It will not have escaped your attention that our guests include, with our distinguished speaker, no less than six sitting or elected female members of parliament. Since our invitations were extended well in advance of events on September 18, the political prescience of our selection committee makes the professional pollsters look like rank amateurs. We salute the achievements of these candidates and, as to the election itself, would simply add in the immortal words of Lewis Carroll, through the Dodo after the Caucus-race in *Alice in Wonderland,* "*Everybody* has won and *all* must have prizes!"

The force of the coincidence that *four* of these *six* members of parliament carry the name "Margaret" is too compelling for even the most indolent to ignore and, driven to the books, I find in my lexicon of names that the Margarets of this world have independence — with that they all would agree. They also have grit — Margaret Campbell would agree with that, but the others may have reservations. My researches also reveal that the lucky day for Margarets is Thursday. It was, indeed, for them last Thursday, and so it is for us today.

A current, if somewhat irreverent, definition of a conservative is one who is afraid to do anything for the first time. Margaret Thatcher is a Conservative but not that type of conservative! And when Big Ben boomed the midnight hour on February 11, 1975 it was not to summon a Cinderella to the leadership of the Conservative Party in Britain, but someone already tried and trusted both in the shadow cabinets and on the treasury benches of the mother of parliaments at Westminster.

Our distinguished guest was educated in the natural sciences at Somerville College, Oxford, and was graduated with the degree of Bachelor of Science in Chemistry. While employed as a research chemist in an industrial firm she turned to the social sciences and read law in her spare time, was called to the Chancery Bar by Lincoln's Inn in 1954 and subsequently practised as a barrister, specializing in tax law. All this prompts one to wonder whether we have missolved the whole problem of legal education in this country.

Elected to the House of Commons in 1959, her first ministerial appointment came in 1961, and in the most recent, and she informs me not the last, Conservative administration she was Secretary of State for Education and Science. Since March, 1974 she has been a member of the shadow cabinet as opposition spokesman and critic, first on the environment, and latterly on treasury matters and economic affairs.

Margaret Roberts married Denis Thatcher, a gunner, in 1951 and now with their twin children they live happily ever after. I make reference to Mr. Thatcher's military associations because there are some regimental officers of this club who are prone to *take on* airs rather than play them on their pipes and Mr. Thatcher and I would remind them, with respect, that the artillery still takes precedence at the right of the line.

Ladies and gentlemen, I present to you the Rt. Hon. Margaret Thatcher, P.C., M.P., Leader of the Conservative Party and, as such, Leader of the Opposition of the House of Commons in Britain, who will speak to us on "The Heirs of Runnymede".

THE RT. HON. MARGARET THATCHER:

Mr. Chairman, Your Honour, Mr. Treasurer, distinguished guests, ladies and gentlemen: this is my first visit to Canada and for me it fulfils a very great ambition.

For many years I have met your Ministers, your Parliamentarians, and a number of your people, as they have travelled to Europe and to Britain, and heard of the way of life you have fashioned here.

To us in Britain it has always sounded like a great and successful adventure; an adventure in courage, in new technology, and learning to weld together the great variety of views from the several provinces of your country into one nation that is today Canada.

And now, at last, I have come to see these things for myself, and they live up to everything I've heard.

The Right Honourable Margaret Thatcher, P.C., M.P., Leader of the Opposition, British House of Commons.

Part of the pleasure in coming here is that we share so much in common. We are all heirs to those great freedoms which are at the heart of the western ideal. Heirs of Runnymede — those liberties first expressed in Magna Carta — which have steadily been applied to all our people; heirs to a rule of law, without which there could be no freedom and no security and before which all men and women have equal rights. And heirs to a great responsibility — the responsibility of seeing that the best of those things we have inherited are renewed by our generation, transmitted to the next, and extended to other countries who choose our way rather than one which could lead only to political and economic servitude.

I know that you will want to hear from me about Britain, Great Britain.

It is true that at present we have problems, serious problems, and it would be foolish of me to ignore them. You do not solve problems by ignoring them, but only by facing them, by analysing their causes, by propounding solutions and above all by persuading public opinion to follow a proposed course of action.

Our problems are similar in kind, but perhaps different in degree, to those which other western societies have experienced. They will be familiar to you. They are inflation, unemployment, absence of growth, and public expenditure beyond what the taxpayer can shoulder.

We have all suffered from inflation — indeed that phrase "double-digit inflation" was invented to distinguish the modern level of inflation from the lower rates of the past two decades.

At home, our inflation rate is now 25 per cent per annum — a height most of us would have thought impossible only two or three years ago, and it is a height which would destroy any society if any government allowed it to continue.

As you know, in Great Britain, steps have now been taken to tackle it and the rate will come down next year.

But we have lost eighteen months, and that means not only that we are eighteen months behind some other nations in overcoming the problem, but that during that period it has got worse. Inflation never stays where it is. If you leave it alone, it goes steadily up. Therefore the actions we take now may have to be stronger and go on longer than in those countries which prescribed the remedies at any earlier stage of the disease.

But the problem will be dealt with — indeed we have no choice but to deal with it and deal with it firmly — because more than any other nation in the world (with the possible exceptions of yourselves and Japan) we depend on exports for our standard of living.

We have to import half our food supplies and most of our raw materials — although we hope to be self-sufficient in fuel by the early 1980's. For us to continue a rate of inflation higher than that of our competitors would be to pursue a policy which steadily reduced the standard of living of our people in a world where the standard of living of many others steadily rose.

No government, no political party could or would be able to stand back and see the standard of living of their own people go down when compared with that of others. And for all governments, all political parties in a free society, reality is the most potent factor in making economic policy.

Politicians and economists continually warn of what will happen economically if firm steps are not taken, but somehow people seem to hope that the inevitable will not come to pass. So long as the problems are only round the corner, we seem able to ignore them. Then comes the day when they are actually on the doorstep.

Until that point, politicians have a choice — they can do what is unpopular but advisable, or what is popular but unwise.

After that point, after the difficulties have become a crisis, the unpopular becomes imperative, but because the problem has become a crisis the action is acceptable to the majority of the people. It is often said that "politics is the art of the possible". There is a danger in such a phrase. We may suppose impossible things which would be possible and indeed desirable if only we had more courage and more insight.

I have always felt that it is the task of politicians to be two or three years in advance of public opinion; to be able to foresee dangers, to warn about them, and then to guard against them. This, it seems to me, is the essential task of a leader — not to follow public opinion from the back but to lead it from the front.

I believe we could and should have taken preventive action against inflation earlier. But now we must fight it and continue to fight it as a top priority.

We are now in a world-wide recession — the United States, Canada, Europe, are all affected and so are the developing nations. The very interesting thing about this particular recession is that it has not been caused in the way other recessions have been caused, namely by deflationary policies.

This time it is the other way round. We have run into a recession through inflationary policies, and those policies have been caused by rates of expenditure far in excess of our capacity to produce the requisite goods. Either nationally or internationally, the money or credit has been found or created to accommodate this level of expenditure. The result of creating money not backed by goods is that the nations have experienced a rate of inflation which could not continue.

There is another characteristic of inflation. Even though each country puts its own house in order, there are times when inflation cannot be contained within sovereign boundaries. What one nation does may spill over and affect the inflation suffered by another nation.

Many firms have been in difficulty because they could not find enough working capital to finance stocks on the required scale, or to pay the rising wage demands, or to replace old capital equipment, let alone to expand. Some have gone out of business, some have had to reduce the numbers employed. But, I repeat, this time it is not *deflationary* policies which have led to unemployment but inflationary policies.

Although in Great Britain our levels of unemployment at present are a good deal less than other countries, they are still rising and will, we fear, rise further. That is another reason for making the battle of inflation our top priority.

A few months ago I had occasion to reread the speeches on economic and financial matters of leading politicians of the last thirty years. They all had a similar ring about them. Many of them contained warnings to the effect that "we cannot go on living beyond our means", "we cannot spend more than 100% of what we produce", "you cannot get a quart out of a pint pot", and so on.

These phrases will be familiar to you. We have all said them often. And indeed they are true. Why then have they been ignored for thirty or forty years? I think for many years the truth has been obscured because we have all gone through a period of rapid growth. During that time, it has been comparatively easy for governments to deal with problems by handing out more money through increased public expenditure on many desirable projects.

Some of that greater expenditure was financed out of real growth. Some of it exceeded the growth. Then the growth stopped, but the rise in public expenditure continued, and so did the rise in borrowing. When growth stopped, governments had got so much into the habit of increased expenditure that they went on spending more even though the growth was not there to finance it.

People who have become accustomed to think of government services as "free" are perhaps at last realizing that there is no such thing as a government grant, only a taxpayers' grant. Now we find that expenditures which looked at in isolation may seem socially desirable have to be judged by their economic effect. Will they in the end reduce the incentive to create more wealth by taking away too large a proportion of present effort and discouraging more? The worst thing one could do in any society is to reduce the capacity of its citizens to create more wealth.

Over the years, the political emphasis has been on greater and greater expectations. The other side of the equation is greater and greater effort. Without the effort, the expectations cannot be realised. Without extra production, extra money will only result in increased prices.

This is the lesson, not only for Britain but for many other countries too. It is a lesson none of us can afford to ignore.

From time to time, we move into a different world, a world in which we look not only at our own national problems, but we look at international problems as well. This is just such a time. For it has been brought home to us what we have known intellectually for years — that the world's resources of raw materials are finite and that some of the solutions to our problems may be in the direction not of using more but of using less. Further, the developing nations who have some of these commodities, though by no means all, expect their standard of living to rise at a faster rate than in the past.

In the last session of the United Nations we saw a degree of co-operation and mutual understanding greater than we have ever seen in the past. The interdependence of nations is now becoming a reality as well as an ideal.

Canada and Britain have a great deal to contribute to this forward movement. We are both part of the Atlantic societies — societies which have shown the world how much increased prosperity can and does result from giving rein to freedom of opportunity — a freedom based on individual choice and decision. We both inherit the European tradition — a European history which not only inspired our democratic ideals but which gave us an artistic culture and a scientific inventiveness. And it gave us something else — the capacity to use those benefits for our peoples as a whole.

There were other civilizations which invented turbines for printing presses long before the European culture and tradition. But the difference was that when they were invented in Europe, their potential was realized and harnessed for the benefit of the civilization as a whole. From that moment of time, European civilization of which we are all a part went forward faster than any other previous nations.

We are both senior members of the Commonwealth of Nations, a commonwealth which because of its diverse interests and experience, because of the way in which it has met and overcome many difficulties, because of its ideals, tolerance and humanity, has much to offer to the counsels of the world. We are proud that we both share these traditions.

I am told that in the Lester B. Pearson building in Ottawa this tribute to Mr. Pearson appears: "Sooner and better than his contemporaries he had come to understand that the world, for all of its diversity, was one . . . that no nation, even the most powerful, could escape a common creaturehood and a common peril."

This is one of the challenges of our time, and it is a challenge which we in Canada and Britain can and shall meet. The other challenge, perhaps an even greater one, is to keep faith with the liberties and freedoms our forefathers won.

I have spoken a great deal about economic matters. The dangers of these matters lie not only in the financial consequences serious as those are. The greater danger is that society may lose faith in itself, and become uncertain of its future. I have seen this, as we have struggled with economic problems, as we have struggled with a high rate of inflation. I have seen it in other nations. What has happened? They are not only questioning, they are becoming uncertain, unsure.

I see no real cause for any such loss of confidence. The western societies have provided opportunity and incentive, and because of that they have attained a standard of prosperity and a standard of living unknown in any other political system. When I travel to the Iron Curtain countries I find that almost each and every one of the people I meet there says, "We have produced so many tractors, built so many schools, so many hospitals. We have raised our standard of living by so much." They have far less to boast about than we have in prosperity. We have far more to boast about: the standard of living that has been reached through an opportunity and incentive society. I beg of you to boast about it and not criticise it.

We have done more than just create an increased standard of living. We have created an increased standard *for* living. Because in the western societies we have founded our political constitutions on respect for human and individual rights, we have attained that liberty which is the true mark of civilization. No free country has had to build a wall to keep its people in. Problems there will always be, but so long as we keep faith with these things, so long as we keep confidence in ourselves, we the heirs of Runnymede will always have the vitality to pass on to others the great freedoms bequeathed to us.

Our distinguished visitor and speaker was thanked by Sir Arthur Chetwynd, Bt., Immediate Past President of The Empire Club of Canada.

OCTOBER 2, 1975

What's Behind the Lemming Urge?

AN ADDRESS BY The Honourable Bryce Mackasey, P.C., M.P.,
POSTMASTER GENERAL OF CANADA

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Mr. Minister, ladies and gentlemen: We bid you welcome to the second meeting of The Empire Club of Canada for this season. The arrangements for the meeting today were made by telephone. You will recall the innocent (by present standards) childhood game of post office, part of which was set to music:

I wrote a letter to my PMG
And on the way they lost it.
It went to Spain
And back again.
They're still trying to accost it.

Since I had occasion to write to the Postmaster General, and thought it only proper to insert the postal code, I went down to the General Post Office on Front Street to get it and found yet another peril added to advancing years and failing vision — there it was, the Directory of the Postal Code in two languages and four volumes, the Atlantic Provinces, Quebec, Ontario and the Western Provinces (including the Territories). But where to find Ottawa? While scanning the instructions at the front of one of the volumes, my eyes fell upon a map of Canada divided into postal areas with a letter assigned to each, beginning with A in Newfoundland near Seldom-Come-By or Come-By-Chance and proceeding westward. But alas, there was no letter Z. Now I have a real affinity with the letter Z and was sorry to see it excluded. But undaunted and otherwise impressed with the perfection and symmetry of the system, I was moved to poetry which I offer under the simple, and I hope not inappropriate, title:

Ode to the Code

A postal code has been devised for dealing with our mail
So the process now is speeded up and delivery
   without fail
There are two letters out in front and a digit in between
And we no longer have to seek the intervention
   of the Queen
Is one really now expected to keep it in one's head
When the experts at the CPO scorn the use of letter Z.

C'est parfait dans la langue française
If for French you have a flair
Since odd numbers come out "impair"
And the evens simply "pair"
But how is one expected to keep it in one's head
When the experts at the CPO scorn the use of letter Z.

But the sheer joy is for the sorters
Who get down to work with zest
When the E's are going eastward
And the W's heading west
How the hell is one expected to keep it in one's head
When the experts at the CPO scorn the use of letter Z.

We extend a warm welcome today to the Postmaster General of Canada. Born and formally educated in the Province of Quebec, at McGill University and later Sir George Williams University, he entered the House of Commons first in 1962 representing the constituency of Verdun and has been returned in no less than five federal general elections.

After having served as Parliamentary Secretary to the Minister of National Health and Welfare and the Minister of Labour, he received his first full ministerial appointment without portfolio in 1968. Subsequently he has served, and if I may say so with respect, served well, as Minister of Labour, Minister of Manpower and Immigration, Minister of State and, since August 8, 1974, as Postmaster General.

Our distinguished guest is a competent, loyal and devoted public servant. Caught in the crossfire between the cost/price squeeze, on the one hand, and a seeming militant trade union posture on the other, he has steered the political bark between Scylla and Charybdis in a manner that has attracted and deserves our admiration and, indeed, affection. In popular jargon he would be classed as a "gutsy guy". He has demonstrated the courage to deal with terrible problems in a manner which he believes to be in the best interest of all Canadians. We salute him and are happy that in the most recent round of musical chairs he was not lost to us through an indulgence in the usual political artifice of "shooting the piano player". Ladies and gentlemen, I am privileged to present to you, the Honourable Bryce Mackasey, P.C., M.P., Postmaster General of Canada, who will address us on "What's Behind the Lemming Urge?"

MR. MACKASEY:

Ladies and gentlemen: I've been doing a lot of reading during this parliamentary recess. Let me tell you, it's a very depressing pastime. The ghosts

The Honourable Bryce Mackasey, M.C., M.P.,
Postmaster General of Canada.

of dead civilizations seem to haunt every serious writer. The consensus appears to be that democracy is ungovernable and inflation is administering the last rites to free enterprise. The predictions are so gloomy that I turn on television cartoons and watch the characters blow each other up.

I wonder why animators always show animals acting like humans? Except for lemmings, who get this odd urge periodically to rush to their own destruction, no animal species but man commits suicide. No animal reared in freedom would trade that freedom for a cage — but in reality, this is what we're doing. We're trading a system, a mixed-economy system that gives us all an unprecedented freedom, for a system we fought a hot and cold war to escape.

The more I read about what's happening the more incredible it seems. Here we are with an economic system of free enterprise; it has given the average man luxury and leisure for the first time. And does he support it? Does he work for it? Look at the figures on absenteeism, the figures on labour turnover. Productivity is falling in every area but crime. We fail to realize that *every* system requires control. In a communistic system, there is state control. In ours, it is the control of self-restraint.

Here we are with a political system that allows us to govern ourselves and people are beginning to reject it. Fewer eligible people vote; political participation is falling. Party labels have lost their relevance; party loyalty has weakened. The last election in Britain was an unpopularity contest. According to a recent poll, 57% of Americans believe that neither party represents their best interest. No single political party in western Europe holds a majority. And now, instead of the Big Blue Machine, Ontario has the tri-colour.

Our system has freed us, by any standard but ours, of man's oldest enemies, pestilence and poverty, and almost every newscast carries our response to that freedom: riots, confrontations, labour violence, vandalism. Some people don't know what they want but they're willing to raise hell to get it.

Our system has given us all we need to solve our essential problems, organization, know-how, technology and materials, and yet we can't even get a consensus on such basic needs as saving energy, controlling pollution or defeating inflation. It seems that fate put the materials of happiness into our hands just to see how miserable we can make ourselves.

Our system has freed us, for the first time in history, of slavery and tyranny, and yet more and more groups are taking the law in their own hands. Civil rights protesters. Maoists. Anarchists. Industrial polluters. Illegal strikers. And when individuals or groups begin to take it upon themselves to decide what laws they will or won't obey, society breaks up in anarchy, or worse, it's brought together by force.

Our system has given us the best educated citizens in history, yet we're racing along a road that plunges down the abyss of ignorance.

So here we are with a stranger-than-fiction paradox. We have the most successful economic system ever devised, the most humane and enlightened system of government that ever evolved. And yet that system no longer responds to traditional restraint. The economy no longer responds to Keynesian controls. Citizens no longer respond to their leaders. Everybody wants, and nobody will give.

It reminds me of Mark Twain's story where the corpse gets out of its coffin and rides to the graveyard with the driver. The way we're going, we, too, may watch ourselves, our freedom, being buried.

Here's an even stranger paradox. For more than half a century we've been fighting Communism because it opposes all our beliefs. Its government is monolithic. Its economy is controlled. Its values are materialistic. Individual liberties are suppressed. But all the time we've been fighting state control we've been moving toward it, the slaves of our own inventions — our machines and our institutions.

In 1900 we had only a handful of big institutions: a few corporations and the church. The University of Toronto, biggest in the land, had fewer students than a modern regional high school. Hospitals, which now require five employees for every patient, had one employee for every five to ten patients. Our entire federal civil service could have been housed with space to spare in a single new federal office building in Hull.

Two-thirds of our people lived on farms or off the proceeds of family enterprises. Most lived in small communities where you knew what everyone else did and everyone shared the same concerns, and the family looked after its own. The family took care of sick relatives, orphaned nephews and pregnant daughters. It brought the children into the business, or sent them to college, or got them a job. It was a total community and each was much the same. Everyone understood each other, socially if not emotionally. Everyone could relate to everyone else.

Then in 1909 Henry Ford changed all that. The first Model Ts came off the first assembly line that year, and within two years 743 car makers shrank to 270. Specialization was breaking trail for giantism.

We substituted that life which I have described for the assembly line which became the womb of modern society. Mass production called for mass markets. It called for a national community, as compared with a community where each family was self-sufficient. It called for ever-larger units for ever-increasing efficiency. And these units called for more and more consumption. The assembly line committed the western world to a new concept of progress: continual and inevitable growth.

The productivity of the craftsman became the productivity of the machine. Today, 40% of our work force produces enough goods for us all, and by 1980 two-thirds of all workers will be in service industries. We're no longer a goods-producing society, we're a service society. A mechanized society. A society of locked-in specialists. A bureaucracy. If we keep on the way we're going we'll have to develop a strain of man that can digest millions of tons of memoranda.

Today the institution does almost everything once done by the family. The institution is now the true community. Society is a plurality, a community of institutions, each specialized, each a bureaucracy loosely co-ordinated or regulated by the biggest bureaucracy of them all. Ironically, we are fast approaching everything we rejected: a monolithic government, a controlled economy, materialistic values, a society that oppresses the individual.

In every area, the individual is alienated by bureaucracy. Its automated machines restrict or outdate his work skills. Its specialization intensifies his boredom. Its size and impersonality makes him feel small and unimportant. It pressures him to obey rules for which he may see no logic, to conform to a lifestyle he may neither like nor respect.

Not surprisingly, he's been defecting in large numbers. First, the intellectual. Then the student in university in touch with intellectual thought. Then his younger brothers and sisters. Then the parents who listened to their kids. And now the workers are turning against those union bureaucrats who put power ahead of benefits to their members.

Communism works no better. The effect of Soviet bureaucracy has been outlined by Ota Sik, the former Deputy Prime Minister of Czechoslovakia. Workers, he says, and I quote, "have no participation in management, have no direct share in the results," and therefore their only interest "is in their salaries and what they will bring." Management's interest, he says, isn't really in capital but in power. Its prime concern isn't production but self-advancement. This sounds like an editorial from *The Wall Street Journal*!

Result? The same as ours, and again I quote, "a steady decrease in the efficiency of investment" and "an increasingly slower rate of growth of per capita income." We and the Soviets have reached the same dead-end by different routes, except that they have the advantage of State control, while we have the disadvantage of having lost our self-discipline.

This lack of control, it seems to me, has its roots in our dynamics. If we want to find the reason why our system faces failure I think we have to look at our success.

The dynamics of our system go back to the American Revolution; before that to the French Revolution; before that to the Magna Carta. Our society grew on a belief in justice, in legal, not regal, rule, on a belief in equality of opportunity, on a belief in individual freedom.

These convictions released human energy on a scale never seen before. But energy, of course, must be restrained or it turns destructive. We had our constitution, law, and above all, faith, a sense of duty that emanated from the religious conscience.

These controls, based on a sense of right and wrong, kept the public in check throughout the age of Queen Victoria. But the Edwardian Age was a time of change, a time when large corporations came into being, when great fortunes were made by railway presidents, bankers, and financiers — in those days a euphemism for high-class promoters. They controlled the market machinery for flogging stocks. In theory, the system of free enterprise was controlled by competition and the economic law of supply and demand. In practice, the new "trust" was squeezing out small companies, the new "pool" was secretly setting prices, and the new "holding company" was draining subsidiary treasuries. The belief in individual rights had become belief in the rights of wealth.

By the turn of the century the new creed had been formalized. Adam Smith's doctrine of laisser-faire and Darwin's survival of the fittest had been blended in the philosophy of Spencer, and I quote, "The entire industrial organization in all its marvellous complexity has risen from the pursuit by each person of his own interest."

One sentence sums up Spencer's philosophy: "God helps those who help themselves." A man named Horatio Alger grooved this into the brains of businessmen. He wrote 132 books, or, as somebody said, one book 132 times. In it a poor boy rises to riches through hard work, thrift and shrewdness. The fruit of his virtue was wealth so to be wealthy was to be virtuous. And just as logical, to be poor was to be lazy, wasteful or stupid.

You people tell me that government is too big. But how did the government get to be so big? Because these new corporations, without a social conscience, trod on the individual rights of the workers. So unions were formed. In 1910 there were 67 strikes. That year the new Labour Minister, a young man named Mackenzie King, received a wire from Prime Minister Laurier, and I quote: "I AM DELUGED WITH TELEGRAMS ASKING ME TO INTERFERE."

Interference with business was heresy but lack of restraint breeds heretics. King had just introduced the Industrial Disputes Investigation Act. Now he brought in the Combines Investigation Act. The excesses of one dynamic had trampled the claims of another. The abuse of individual freedom had started state control, the long slow movement toward income equality.

Everything changes but human nature. As corporations grew fatter their rationalizations grew thinner. A new generation grew up. We sent them to school and taught them truth. They looked at society with new eyes.

Business told them it was efficient but what they saw was waste. They saw technical obsolescence — displacing good products with slightly better ones; non-functional obsolescence — shelving good products for less-good new ones; visual obsolescence — outmoding useful products with style changes; functional obsolescence — designing a product to break down.

The young forced us all to look at ourselves, to re-examine our views, and we saw that the iron law of supply and demand can be bent like tin, that the claim that consumers call the shot is a farce. We saw that the corporation works on a kind of cost-plus basis. It controls its suppliers by contract or stock. It sets prices by "price leadership", tacit agreements with other industry giants, and it passes unforeseen costs on to consumers. In every field of business where the big corporations dominated and they dominated about half the economy, price competition did not exist and consumers had little control.

And people saw that some advertising was fraudulent, that some products were unsafe, that some plants were poisoning the water and the air. So people banded together in special interest groups. They demanded more government restriction, and got it. Everyone hates bureaucracy, yet everyone is forcing its growth, including the corporate manager who builds up his sales, his staff, his budget, in order to increase his own reward.

Business today is finally learning restraint but the lesson seems lost on some others. Unions used to be held in check by the limits of company profits. But the unions in some service sectors, especially government, have no limits. Some of the strongest unions are enriching themselves at the expense of the weak, sometimes the unemployed, and often the public. It is no longer productivity that wins most pay, it's power, and power is defined as who can do the most damage to society. Unless some unions ease their demands they'll go the way of business, because a new bureaucracy within government will be formed to control them. Bureaucracy will grow.

A case in point is wage and price restraint. We turned down controls sixteen months ago because they weaken incentives for production and investment, causing shortages and even higher prices. We tried to get a consensus on voluntary restraint. We didn't succeed. But if inflation worsens and restraint isn't forthcoming, we will find a formula that holds prices and wages down. And the bureaucracy will grow. Out of one side of our mouth we holler at government red tape, out of the other we make demands that bind us with it. We can't have it both ways.

It isn't just business and labour; I've stressed them because of their power. Everyone is making demands on the state: minorities, women's and citizens' groups, environmentalists, consumers, all with legitimate causes, all demanding action by the government. Add the demands of almost every sector of the work force, and you can see why the Marxists say capitalism will fail because it can't meet all these demands; all these demands will create a crisis of capital.

Some people say the government should lead in showing restraint. They say to us, "Stop spending."

Stop spending on what?

If private enterprise met its social obligations, there would be no need for government to spend. Some people say they would cut back on welfare and unemployment insurance. Let us look at the figures. There are 736,000 people unemployed. Knock off 100,000 rip-off artists. Knock off another forty of fifty thousand because you don't think women should be in the work force, despite the contribution that you and I know they make. There are still only 61,322 vacant positions in Canada. If anybody here can fit 600,000 Canadians into 61,000 jobs, they can be Postmaster General!

I remember the Depression. My only problem in those days was whether I had the family car. I can remember my mother making food parcels. I can remember people knocking on the door and saying "Charité". My mother would dole out a dime, and some sandwiches, and maybe an apple. It was my job to cut the kindling at night, and it was never there in the morning. I came to the conclusion that someone was stealing it, and I watched till I saw him. I woke my dad up and told him who it was. My father said, "Mind your business. I've known that for months. He takes just what he needs to stay warm." We had labour camps, food lines, families broke up. *Ten Lost Years* should be required reading for everybody in this country.

We don't want to go back to those days. We're not going back to those days, as long as I'm a member of the Liberal government.

When you say cut back on government spending, do not cut back on the unfortunate, do not cut back on welfare or unemployment insurance. We are on this earth because of our obligation to the person next door.

I may sound pessimistic, but I'm not. There *is* a solution to it all. Our free society is based on individual responsibility. We have at our disposal the finest group of young people in the history of this country. The long-haired hippy, who sometimes freaked out ten years ago, had the courage to stand up and be counted.

Collectively, they brought a war to an end in Vietnam. In my church, the Catholic church, they converted our doctrine from one of fear to one of love. In the universities, they insisted that they decide whether to read Karl Marx or Irving Layton. When historians write about the '60s, they won't say that this was the generation when man went to the moon. They will say it was a time when people paused and evaluated where they were going and where they wanted to go.

Where are those young people today? They are in your companies. They are here. They are in Parliament. They are in positions of power. They have not lost their idealism. They will see that we return to the fundamental values — not growth for growth's sake, but the knowledge of what is right and what is wrong. That is what democracy is all about.

When we are asked by the government to practise restraint, it will hurt. But if you believe in anything you will have the consolation of knowing that the sacrifice you are making is for somebody less fortunate.

Our distinguished visitor and speaker was thanked by Mr. Joseph H. Potts, C.D., Q.C., Past President of The Empire Club of Canada.

OCTOBER 9, 1975

The American Electoral System

AN ADDRESS BY Richard M. Scammon, B.A., M.A.,
DIRECTOR, ELECTIONS RESEARCH CENTER,
WASHINGTON, D.C.

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Mr. Scammon, Mr. Consul General, ladies and gentlemen: We bid you welcome to this meeting of The Empire Club of Canada.

I admit without embarrassment to the occasional gap in my knowledge of the American electoral system and scene. But I am quick to add that I am in good company in my lack of appreciation of some of the vagaries of that indirect process.

The story is told of a man who was elected an elector in upper state Michigan and was seen off at the railway station with a new set of luggage and a brass band to go down to the state capitol in Lansing to elect the governor. On arrival at the leading hotel he asked for a room but, to his great surprise, was told there were no rooms available without an advance reservation. To which he rejoined with some firmness that there must be a mistake, that he was an elector and in town to elect the governor. All to no avail — no reservation, no room! In his search about town, the scenario was invariably the same — "But I am an elector and here to elect the governor," and the reply, "Sorry. No reservation, no room." Making his way back to the YMCA, bone tired and not a little disillusioned, he passed a churchyard with some greensward in front and lay down to rest. When almost asleep he became aware of a dog about to do him a mischief on his trouser leg. He roused himself and, in a state more of resignation than anger, said "Doggy, how did you know I was an elector?"

But political pantomimes and polls have always had a strange affinity with the canine corps. One of our illustrious national political leaders, being confronted with an unfavourable poll, was asked if he had any comment, and he commented simply, "Polls are for dogs!" Our distinguished guest today is here to reveal the hidden mysteries of the science of political prognostication.

He was born in Minneapolis and formally educated at the University of Minnesota, the London School of Economics under no less a soothsayer of political events than the late Harold J. Laski, and at the University of Michigan. After an impressive career in the military service of his country as a political officer with the military government in occupied Germany, and later in a civilian capacity with the Civil Administration Division of the United States Military Government in Germany, he returned to Washington to head the State Department's division of research for Western Europe.

Since 1955, including the period 1961-65, when he did double duty as Director of the United States Census Bureau, he has served as Director, Elections Research Center in Washington, a non-profit organization, essentially devoted to political analysis and election watching. Although born into a medical family, he eschewed the study of the science of medicine in favour of the broader pursuits of keeping his finger on the political pulse of the nation.

In his role as director for the Center and consulting political analyst for NBC and Newsweek, Mr. Scammon selects bellweather precincts in every state and is able to forecast the election results with uncanny accuracy. He is here today to discuss the elections to be held next year for President and Congress. We welcome him warmly and are anxious to learn the results of the use of his own particular brand of crystal ball and/or ouija board.

MR. SCAMMON:

Mr. Chairman, Consul General, Mr. Lewis (my electoral colleague in Ontario), head table guests, ladies and gentlemen: in talking about politics in the United States and elections in the United States I hope you will bear with me for a moment if I ask you to erase from your current thinking such words as party and election and policy and program and discipline and caucus and the rest. One great difficulty in speaking as an English-speaker in English to English-speakers is that words which might otherwise be indistinguishable and understandable are taken to mean in Canada what they mean in America, and in America what they mean in Canada, and in both cases they are wrong.

We live in an anarchic political system in the United States as far as the political parties are concerned. We have no party discipline. Our party whips are artists in nothing. The party program depends on what the individual says it is. It's a very free society but somebody once compared it to a rocket which when it explodes goes in all directions simultaneously. The fact of the matter is that in the nomination of candidates, in the selection of party programs, in the implementation of those programs, we not only have an irresponsible legislature in the literal and non-pejorative sense of that word, we have a system in which the President can be of one political party and the Congress of another. Many Americans think this is a good idea, since the premise is (on the part of some) that they are all a little dubious anyway, and this system at least has one dubious looking after another dubious and you can't concentrate authority or power too much.

Richard M. Scammon,
B.A., M.A.,
Director,
Elections Research
Centre,
Washington, D.C.

If I may recall in our approaching bicentennial year the unhappiness of some 200 years ago, it must be remembered that the American Constitution was written as a deliberate exercise in the *non*-exercise of power, and people were anxious to see to it that the judges, the legislators and the executive were not related to each other personally, politically or in any other way.

First, just a word about the American electorate. Although I was born into a medical family (my father was a Professor of Anatomy at the University of Minnesota), my only connection with the science of medicine is to insist that you always start a discussion like this with a short anatomical sketch of the electorate. In America in 1976, we'll have 85 or perhaps even 90 million people who will vote. That will be about 60 to 65% of the total, somewhat less than the Canadian practice, about equal to the lowest participation rate in western Europe which is in Switzerland. Perhaps I ought to mention that it is only since the enfranchisement of women that it has fallen so low!

The electorate might be described as increasingly metropolitan and in that sense I think not substantially different than the electorate in this province. The core city has declined; fewer and fewer people live there. Rural areas, that is strictly farming areas, largely have declined. Suburbia and exurbia are coming into their own as the source of what in America is called political clout. I would suggest that this is very likely to be the case in the nature of the electorate in the United States and Canada alike.

The American voter is essentially middle-aged. The average age of the voter in the United States next year will be around 47 or 48. Now it was common in America to hear a great deal of statistical nonsense in 1972 about how the youth revolution was going to take over. 110% of the kids were going to vote and 157% were going to vote for Stevenson. The youth revolution was going to leave on Track 9 at 4.00 o'clock! What actually happened is that nobody got to the train station. About half the youngsters voted, which was well under the national average. They voted slightly more, by about 10 points, for Mr. McGovern than the average in the nation at large, but the idea of a youth revolution in politics in America simply doesn't stack up with the facts of life. There are many more electors over 50 than there are under 30. Now, any politician worth his salt wants to get all the votes of all age groups, as long as it isn't over 100 – unless it's Chicago! By and large what he wants to do is to get everybody, but if he has to make a choice he is well advised to study the geriatric magazines rather than the rock record sales.

This is essentially a white electorate: 90% white, 9% black, about 1% Chinese-American, Japanese-American and so on. It's an electorate which in the last ten years has had a majority of women. If we were to have 85 million votes cast next year, I suppose it would break about 44 to 41 with some 3 million more women voting than men. I mention this only because you will read about this in the next year as you follow American politics. Do not pay it a great deal of mind. What we have found is that sex rarely is a truly divisive issue, at least in politics, whatever it may be elsewhere. This is a situation where conservative men vote for conservative women in preference to liberal men and vice versa. Ideology breaks sex in case after case in the United States. Take a specific example from Boston, where Louise Day Hicks is a very conservative, anti-busing woman political leader. I have never seen a Women's Libber out campaigning for Louise Day Hicks because her commitment to womanhood in politics is overcome by her commitment to a political viewpoint, as indeed I suggest it very likely should be.

Now if you put this anatomical sketch of the electorate together, what goes on up in the cranium to run this skeleton? As a first premise, most electors in America, and I would venture to guess that this is probably true in Canada as well, most electors are not total political animals. They do not tonight push aside the dinner dishes and spend the evening talking about revenue sharing or the Sinai Agreement or Cyprus, whatever it may be. And I would suggest that probably in Canada, certainly in the United States, electors tend to be a bit more personal and parochial in their discussionary time. They may worry a little bit about getting through next winter without fixing the roof, they worry about whether the job is going to stand up or if the cut back in orders is going to lead to a loss of employment, they worry about what's going to happen to their kids. The number of people in America, at least, who spend the evening reading and discussing the editorials of the *New York Times* is extremely limited and from the point of view of the health of republic this is probably just as well.

What you get is a non-political but electorally alert individual. By that I mean that when he is asked to make election judgments he can call upon his interest, his knowledge, his commitment to make these judgments in a fairly sophisticated way. One example of this is the fact that in 1972 he passed a very negative judgment on Mr. McGovern and elected Mr. Nixon with an overwhelming vote, and on the same day in the same election returned a heavy Democratic majority in both houses of Congress. There was a sense of sophistication, if you will, in the way in which the various knobs on this election machine were being adjusted by the electorate, but to predicate that the American elector is a 99.44% political animal would simply be to ignore the facts. A large number do not vote, some of those who do vote are not very well informed. They may know their passion and interest, and maybe that in some sense is a better judge of how you ought to vote than information, but certainly from the point of view of the intellectual, the journalist, the scholar, there is not that citizen-awareness of all of the intricacies and nuances of political life which some feel there ought to be and indeed is needful for the carrying on of the public business.

In these circumstances, what is going to motivate the American voter in 1976? First of all, though it's not an issue in the normal sense of the word, one thing that will motivate him is a sense of history and a sense of party. In America it has been fashionable in recent years to talk about the growth of independent voting, or split ticket voting, the kind that we saw in 1972. On the other hand, the great majority of Americans if you ask them will say, "I'm a Democrat" or "I'm a Republican." A great majority probably did vote for Nixon and the Republican candidate for Congress, or for McGovern and the Democratic candidate for Congress. Obviously the swingers were the ones who made the difference. But the majority still reflected a certain "label loyalty" to the political party of their preference, a preference which they may establish through their parents, or through a racial, ethnic, or economic viewpoint. The basic division of political force in America in terms of this party recognition has not really changed in 40 to 45 years. It is what Mr. Roosevelt established in the '30s with his New Deal coalition. This remains the base of much of the inherited loyalistic kind of party behaviour. This is part of the voters' pattern. In fact you might say that this kind of party loyalty is one of the four legs on which the election table sits.

What about the others? What are the issues which may modify or shift that pattern of loyalty other than the way in which it is affected by independent judgment.

First of all, of course, the economic issues. It doesn't make much difference what they are at the moment but they are normally tax bite, jobs, unemployment and particularly inflation. Inflation because it hits everyone. The job aspect only hits those who are unemployed or think or fear they are going to be. But the tax bite, jobs, inflation, availability of housing, high mortgage rates, this is the sort of thing which has, I am sure, as much impact on politics in this country as it does in the United States.

It is not under present day circumstances a happy augury for incumbents — administrations, whether in Ottawa or Washington, faced with rising unemployment and rising inflation — things that shouldn't happen, according to the norms of economics that most of us learn in school. The new economics of rising unemployment and simultaneously rising inflation are not good news for any political leader, whoever he may be. I would say that if the inflationary circumstances and unemployment in the United States deepen in these next twelve months it would make the re-election of Mr. Ford very problematic.

Equally, on the other side of the coin, if in some fashion or just through luck Mr. Ford were able to reduce unemployment by half and to cut the rate of inflation by half he would be almost unbeatable as a political candidate. The economic issue is a very real one in the minds of people.

Besides the economy and this party loyalty, which we might say are legs one and two under the table, the social issues (a phrase I use here to encompass a number of non-economic circumstances) become important these days in many American elections. In 1972, these were shorthanded as pot, prayer and pornography or amnesty, abortion and one other that I can't remember, but basically they are a series of what you might call values issues. School bussing, crime, law and order, abortion, long hair — these are all part of the system of values which middle-aged voters particularly feel is threatened by contemporary events.

Issues like school busing in specific communities make difficulties for the voter because these things, particularly school busing, tend to divide Democratic voters much more than they do Republican. The people contesting the issue of school bussing in Boston are both Democratic — a black Democrat vs. a white Democrat — and this tends to pose a greater problem for Democratic leaders and Democratic nominees than for Republican..

One never knows about these issues. They are likely to spring up and then die. There might be more trouble next year. If you get court orders to force bussing in a city like Cleveland, which is racially separated more or less by the river, you will have real difficulties and problems for the political people. Most political people try to avoid these issues because they are very emotional, they are non-political in the sense that they divide all political parties, and they are profitless. Whatever stand you take, the militants on the other side are going to come after you with tar and feathers to run you out of town.

If you asked the average member of Congress today what his mail was about, he would probably say that most letters are about abortion and gun control. These are the things that people feel as the social issues that really motivate them and they seem to feel the Congressman can do something about it. On the economic issue there is almost a sense of resignation as though these things are much too great, they're beyond our ken, beyond our control, but this does not extend to these other social issues.

Finally, in any American election, and 1976 will be no different, there is the issue of personality. The issue of the individual. The competence, the capacity of the candidate as perceived by the voter. The take-charge image. The man who will mind the store, whatever you want to call it.

Eisenhower would probably be the best case in point. Certainly, General Eisenhower could have been elected President of the United States by *either* political party in 1952, or by none. If he had decided to run as a non-party candidate he could have made it and beaten both the parties, because of the confidence which he inspired and the regard with which he was held by the general public. One of the problems for the Democratic Party in 1976 is that they have no Eisenhower. They have nobody that would have the same kind of confidence-inspiring personality. They have many candidates. A short list of 50 as far as the Democrats are concerned. There are many examples of this. In my own state of Maryland, for instance, last November, the Democratic Governor was elected at the same time as the Republican Senator was re-elected because both had strong personalities. They were people in whom the electorate had confidence and were willing to split their ticket to vote for.

So there are four circumstances: party, economic, social, personal. Most electors will be motivated next year on these grounds.

Then, of course, the natural question is if they are going to be motivated that way, what are they going to do? Tell us what's going to happen. Tell us how the elections are going to come out. Obviously, if I knew I wouldn't be here. I'd be in Las Vegas making millions of dollars, but we'll do our best.

One thing I think we can make a fairly easy prediction on, that is that in both Houses of the Congress, Senate and House alike, you will find a Democratic majority re-elected in November, 1976. Now this doesn't mean a great deal in a legislative system in which the government has no particular authority and in which the party doesn't mean very much, where the leadership quotient of the party leader is virtually nil (by that I mean he simply doesn't have power to do anything), plus the very real fact that the member is not responsible to the party in any real sense of the word. He is responsible to the *electors* in his district who vote in a primary election to nominate him.

The Canadian practice, for example, is unheard of in the United States. For instance, in Moncton in the summer of 1974 the leadership of the Conservative Party threw out the Conservative candidate. This would not only be unheard of, but would be obviously counterproductive in the United States and would produce an overwhelming victory for Mr. Jones. The party committee, the party leadership may talk to the candidate. They may say, "If you go this way you are going to lose support." But in the final analysis you have a primary election system in which 50 or 100,000 Republicans or Democrats will come out and nominate the candidate. What the politician is afraid of is the backlash of those 50,000 people, not the party leader, if he wants to be re-elected and this is a principal goal of most people who hold elective political office. Under these conditions, to say that you have a Democratic majority in the House and Senate is merely to say that the majority of the members in both bodies have been elected with the word Democrat printed after their name. You may have a right wing Democrat or a left wing Democrat, a farm

Democrat, an urban Democrat, whatever it may be.

As a case in point to summarize: when farm issues come before Congress, the farm Democrats and the farm Republicans are going to vote for more money for the farmers. The consumer-oriented urban Democrats and urban Republicans are going to vote against it because it means higher prices for the goods which their constituents buy. The constituency is what counts. The constituency is what builds this congressional reaction.

Nor is it really necessary to maintain a united party in either House of Congress. It has no relationship to the White House, except in a personal sense or in a sense that you may agree or disagree with the people there. It isn't essential to maintain a party majority anywhere. As a matter of fact, if you look back over recent years neither President Nixon nor President Ford have had a majority in either House of Congress. It doesn't mean that all is peaches and cream in the relationship, but conflict is an eternal part of politics anyway. If you can say that the House and the Senate will remain Democratic in the elections of 1976, you cannot say this about the presidency. As a matter of fact, there is relatively little you can say about the presidency, except that the election will be held and presumably some honest patriot will end up as President.

On the Republican side, Mr. Ford would be on the very long odds side of being renominated, maybe five to one if one were to try to put mathematical odds on it. He may be challenged by Mr. Reagan, the conservative Republican leader, but Mr. Reagan's chances are limited. This is not like Goldwater in 1964. The power of an incumbent president is very, very strong. That "Airforce 1" plane goes to the airports, the drums roll and the red carpet comes out for "the President of the United States". It comes on television at 5.00 o'clock and 6.00 o'clock and 7.00 o'clock and 11.00 o'clock. That doesn't work for Mr. Reagan. The former Governor of California is not going to get the drum roll and all the rest. Moreover, Mr. Reagan represents a minority in the Republican Party now. Many of those in the centre of the party would be fearful that if he were nominated, the trauma of dumping President Ford and replacing him with Mr. Reagan would be sufficient perhaps to lose the election in itself, and they might very well be right. I don't say this is impossible, because really nothing is impossible in politics. Expect the unexpected. This probably would apply in Canadian as well as in American politics. Anything could happen and sometimes does. It might go that way but I would doubt it.

On the Democratic side you have the most confused picture of all. Mr. Kennedy is a front runner but he has said he is not a candidate and for the moment, at least, I believe him. Whether or not he would respond to a legitimate draft is another question. Somebody has to get back in a back room and pump on the bellows if they are going to get a draft going. Let us assume that if it were legitimate, he might very well take it, but at the moment at least he is not being so considered. Mr. Wallace, who ranks second, has no possibility of being nominated, because about 20% of the people like him and nearly 80% of the people don't like him, and by and large in politics those are unpropitious odds! What you really want is 10% for you, 1% against and 89% available. In the case of Wallace he has polarized negatively and you don't make much profit that way.

There are two scenarios that one can write for the Democratic nomination which may come to pass. The first is that out of the public opinion polls and out of the some thirty state primary elections which will precede the National Nominating Conventions next summer, out of this confusing battle of people and ideas somebody will emerge as the chosen instrument of the Democratic Party. It doesn't seem likely when you look at the mass of candidates but it has happened in the past. There is a sort of winnowing device here which does work pretty well. Who that might be I have no idea: Mr. Benson, Mr. Carter, Senator Jackson, Senator Bye, Congressman Udall. We have seven or eight announced candidates, six or seven others waiting in the wings, and another forty who could be had if you asked them. When the primary election dust has settled and when the public opinion polls have been consulted, the oracles have spoken, the odds are that there will be a winner and that he will be known by June. Then the Convention will endorse it. But it is always possible that won't happen. Then you go into a proceeding which in politics is called brokerage, in which you get all the leadership elements in the party, the candidates themselves, black leaders, women's lib people, trade unionists, geographic leaders, Wallace, the other candidates. Assuming you can maintain some degree of public order you get these people together and you say to them, "Who do you dislike least?"

This is not an effort at ideological triumph. That has been checked at the door before you came into the hall, along with your pistol. What you are doing is trying to find somebody you can agree on. Sometimes this works well and you get a good candidate. Sometimes you end up with Warren G. Hardy. You are never sure when you try it. I suppose that if you went to brokerage now in the Democratic Party, you might end up with a candidate like Mr. Humphrey if you were looking for a more experienced and older candidate, or someone like Senator Bye of Indiana if you were looking for a younger man. He would have to be a master of conciliation and accommodation because the lines of cleavage in the Democratic Party are much more rigorous than they are in the Republican Party. The ideological separation between a Wallace and a Bella Abzug is very great indeed. Not only is the ideological separation greater but the decibel count is much higher and there is a tendency for Democrats to scream a little more frequently than Republicans. Maybe they have more to scream about. In any event, somebody will come out of this kind of brokerage who hopefully can win in November.

A presidential election in the United States is the building of an ad hoc coalition, putting together enough votes and people so that you get 40 or 50 million Americans to vote for you. It is not an ideological crusade and when it becomes one, as it did with Goldwater on the right or McGovern on the left you are a loser — one quick, short word, *loser*. Under normal conditions, what you get is someone a bit to the right or left of centre, with judgments made on the four legs of the table of which I have spoken. If you were to have this kind of judgment between these kinds of candidates right now, you would probably have a pretty close election.

I don't know what it will be like in November. No one can tell you that. Nobody knows what the economic circumstance is going to be in November, 1976. Nobody knows what foreign crisis we may have had to face up to. Nobody knows the nature of the candidates who are going to be nominated. We can make some guesses, but we don't know. We can say no more than that if either party were to nominate a winger, an extremist, that party would lose. On the premise that the two candidates will be separate but not that much apart, you probably would have a close election. Our non-political American, as he has done now for nearly two hundred years, will have an opportunity to make a choice between these and such other candidates as may present themselves for his consideration. By and large, perhaps this is because I have watched these elections for so many years, I have developed a pretty high quotient of confidence in the political acumen of the average citizen; not necessarily his political information, nor even his political sophistication, but his ability to recognize what is the most useful choice given the choices which he is permitted. He has done pretty well in the past in the United States. Only one time in our two hundred years, in our Civil War, could we not find an answer. Otherwise he has come up with some pretty good choices. Although one may disagree with the choices, and although one of them finally had to be eliminated, nonetheless the process works.

It might not be a process that would commend itself to Canadians any more than the Canadian process might commend itself to us, but for our diverse society, geographic, ethnic, racial, economic and so on, this process of a divided government, of a split-ticket psychology, of a striving for the presidency in a folkish kind of mass struggle seems to have particular utility and particular value.

A colleague of mine who was debating this issue of the validity of the American political system in one of the colleges, and with all respect to the academic community, said that all in all as he looked back in history if he had to make a choice he'd rather be governed by the first two thousand names in the Boston telephone directory than by the whole faculty of Harvard College. Thank you all very much.

Our distinguished visitor and speaker was thanked by His Worship Mayor Willis Blair, Mayor of the Borough of East York, and Honorary Secretary of The Empire Club of Canada.

OCTOBER 15, 1975

Law and Order in the Labour Movement

AN ADDRESS BY M. Brian Mulroney, Esq.,
OGILVY, COPE, PORTEOUS, HANSARD, MARLER,
BARRISTERS AND SOLICITORS, MONTREAL

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Mr. Mulroney, Mr. Attorney, ladies and gentlemen: Our welcome visitor and distinguished speaker today is no stereotype. First of all, he is an Irishman. It is one thing to put an Irishman in a nutshell, but quite a different thing to keep him there. It is said of your ancestors, Mr. Mulroney, that the English never solved the Irish problem. The moment they thought they had it solved, the Irish changed the problem. He is a Roman Catholic, a Progressive Conservative, a native son of Quebec fluent in the now official language of that Province, and a lawyer, with a well established and enviable reputation, practising in Montreal with one of Canada's leading law firms. While all this may *not* make him unique, it does confirm the word that is abroad that Mr. Mulroney is very much his own man.

He was born in Baie Comeau, took his early education in the local schools, subsequently was graduated with an honours degree from St. Francis Xavier University in Antigonish, and later acquired his law degree from Laval

University, Quebec City, and was admitted to the Bar of Quebec.

Our guest has been active in political life, having served in senior positions in his party and for a time as Executive Assistant to the federal Minister of Agriculture. I note in one of the morning papers that he is the latest entry in the Progressive Conservative leadership race. For myself, I thought that Mr. Stanfield, from his present vantage point, was doing a commendable job of formulating government policy and running the country, but apparently he has asked to be relieved of these burdens. My information is that Mr. Mulroney is not politically ambitious, but presumably he would welcome an opportunity to serve. Some of you may have a part to play in providing him with that opportunity.

During his professional career, our guest has specialized in labour law and in March, 1974 he was appointed by the Government of Quebec to act as one of three Commissioners in the so-called Cliche Royal Commission inquiry into violence in the construction industry. It would be comforting to be able to assert that these matters are not relevant in Ontario. It would also be inaccurate. We are no longer to be counted among the innocents.

It is a privilege then to invite Mr. Martin Brian Mulroney to address us on the arresting topic, "Law and Order in the Labour Movement".

MR. MULRONEY:

On March 21st, 1974, a gentleman called Yvon Duhamel boarded a D-8 bulldozer and drove it wilfully and unerringly into the electric generators at James Bay. Within moments, he had secured for himself an inglorious footnote in Quebec history: his deliberate and criminal action resulted in the evacuation of the largest construction job site in the history of Quebec, the paralysis of Premier Bourassa's "project of the century"

M. Brian Mulroney.

and direct costs to the consumers of Quebec of 35 million dollars. For his dubious role in this bizarre event Mr. Duhamel got ten years in a federal penitentiary.

This was symptomatic of a decade of excess everywhere. American politicians were in constant danger of being shot in the streets. Business executives were being kidnapped and held to ransom. Fratricidal wars were waged, in the name of religion.

We had our own serious problems in Canada. Five years ago this month, a diplomat was abducted and a Cabinet Minister slain, to mention but the most tragic of our collective misfortunes.

In the mid-sixties, the quiet revolution had paused for breath. There was no relationship of cause and effect, but by that time certain things had become unfashionable. It was unfashionable for example to proclaim any belief in the federal concept of government; it was unfashionable to acknowledge any possible benefits from our free enterprise system because no venture was considered of value unless big Government was involved; it was unfashionable to stand firm on any moral issue because, in the minds of many, anticlericalism and its attendant social postures was the wave of the future; and, most of all, it was unfashionable to contemplate anything but a totally unionized society because, we were told, politicized trade unionism was to be our collective salvation.

I remember well the alacrity with which part of the Quebec media responded to these challenges: each night brought Louis Laberge, or Marcel Pépin, or Yvon Charbonneau in living colour on the National News with their three minute homilies. These invariably involved vitriolic denunciations of elected governments, business, social standards, each other, and anything else that happened to be lying around that day. There have been few recorded cases in Canada involving such remarkable — and misplaced — glorification of individuals.

I believe strongly in the value of vigorous trade unionism. The benefits of this kind of collective action are there for all to see. But trade unions and management associations are precisely what they are called. Political parties and elected governments are quite another thing.

If we live in a democratic country, all of us must accept the majesty — and the weaknesses — of the concept. It seems to me that there can be no compromise however where the supremacy of Parliament is involved.

In Quebec, as elsewhere, we try to follow the basic rules of the game. During the mid-sixties, however, thoughtful observers began asking whether the duly elected government or highly vocal pressure groups were exercising real and effective power. In the United Kingdom, the question is straightforward: can the Government now enact legislation without the prior approval of the Trades Union Congress? And the answer seems to be in the negative. Little wonder that, having passively accepted such a degree of erosion of the supremacy of Parliament, the British Government today should be so hard pressed to explain its own inadequacies.

But we were not to be outdone by the British. On March 24, 1971, a Parliamentary Commission of the Quebec National Assembly was in the process of analyzing a piece of legislation. Led by André Desjardins, the Director of the Quebec Federation of Labour construction wing, thirty strong arm men invaded our Parliament, disrupted proceedings, intimidated MP's, assaulted other trade unionists, damaged four automobiles, left Quebec City and laughed all the way home. No charges were ever laid, even though the witnesses — indeed, the victims — were our duly elected members of Parliament, to say nothing of the institution itself.

Little wonder then that Yvon Duhamel decided to destroy James Bay. He never expected to be penalized for his actions — after all, if one can assault the Quebec National Assembly with impunity, what's wrong with a little friendly violence on a construction site?

Such was the legacy of a decade of permissiveness, governmental inaction and neglect in Quebec, particularly in the construction industry.

In large part, this was the reason for the creation of the Cliche Royal Commission, sworn in on May 3, 1974. Generally speaking, its mandate was to analyze the conduct of all those associated directly or indirectly with the construction industry to ensure that in the future basic union freedoms would be maintained.

This was not an unchallenging task inasmuch as the construction industry is, by far, the single most important in Quebec — the six billion dollars expended annually in this field, the 150,000 people it employs, the multiplier effect it has on all sectors of economic growth, testify eloquently to its vitality.

By way of comparison, the Ontario construction program this year is valued at nine billion dollars and will provide over 240,000 man-years of on-site employment.

Its importance to everyone in this room is self-evident.

The Commission held public hearings for 80 days during which time 279 witnesses were heard, from all walks of life. During the course of these hearings, almost a thousand exhibits were filed and analyzed by the Commission. It was as a result of the evidence adduced in public that the existence of an organized system of corruption became apparent. This system which had the effect of seriously diminishing individual freedom in trade unions was certainly not easy to unearth or define for a number of reasons, chief among which was the fact that the main protagonists were, when called upon to testify, suddenly afflicted with a very severe case of selective amnesia. In some instances, this contagious illness causes deafness — witnesses who could not recall previously corroborated testimony; in other cases, it induced blindness — witnesses who could not see acts of violence and criminality committed before their very eyes.

But anyone who had eyes to see and ears to hear now knows full well that the system of unfettered corruption and violence which existed in the construction industry in Quebec was entirely without parallel in the history of labour relations in Canada. Other jurisdictions, such as Ontario, made strenuous efforts to lay claim to this dubious honour but the Commissioners felt that, on the merits of the case, the award really should go to Quebec.

But lest anyone here feel that it was a walkaway for Quebec, I would strongly recommend a close reading of the Waisberg Royal Commission Report into construction violence in Ontario released last year. Having done so, I think you will understand why we hesitated greatly before giving this questionable award to Quebec.

Some time ago, the Justice Department, concerned about the rising wave of violence in the construction industry, initiated a series of police operations to ascertain precisely what was going on and what could be done about it. In the course of this initiative, known as "Operation Raymond", a substantial number of telephone conversations were wire tapped by the appropriate police officers and within the framework of the law. These conversations and all of the information accumulated by the various police forces were made available to us. It must be said that, at the outset, we were reluctant to use these telephone conversations because of our concern about the civil liberties of people who might be called to testify before us. Faced, however, with a growing mountain of mendacity and a series of witnesses whose proclivity for deceit was no less monumental, the Commission had no choice but to confront the perjurers with the clear evidence of their crimes.

At the conclusion of Phase 2 of the inquiry, our Chairman Judge Cliche issued a statement in which he said in part: "La Commission a, par son enquête publique, fait la preuve concrète de l'existence de maladies graves affectant l'industrie québécoise de la construction. Les symptômes de ces maladies se manifestent sous forme d'actions inadmissibles et de pratiques déloyales qui ont eu libre cours dans le cadre même de l'application du régime des relations du travail avec une efficacité telle qu'elles se sont imposées aux parties concernées comme partie intégrante de ce même régime. C'est ainsi que la Commission a mis à jour des actions illégales et des pratiques déloyales qui ont pris des formes variées, tant de la part du syndicat, du patronat que du gouvernement."

Clearly, the most spectacular dimension of our hearings related to the foregoing. It became obvious, as we dug deeper, that a relatively small group of men had succeeded, at least in part, in erecting a new set of social standards in Quebec.

The hallmarks of this new era were lawlessness and violence. Illegality was the key to success. Union monopoly of strategic services and industries was to be the end result. In quest of this domination, the laws that apply to you and me were breached regularly, enthusiastically and with impunity. The word "anarchy" is not too strong a term to describe accurately the Quebec construction industry these last few years.

No industry is so important and no group of men is so powerful as to be permitted to impose its own base and scurrilous set of standards upon an entire province. Any such attempt, from whatever quarter, must be resisted with every energy because our collective, social and moral standards, with all their imperfections, are those by which we live our lives and by which we consent to be governed.

That is why the Commission set out in blunt and uncompromising language its assessment of a brutal, indeed, a criminal system, and of those people responsible for its existence. We believed then, and we believe now, that this assault on the basic values of our society must be repulsed, and its legacy excised, lest it spread to other fields of economic activity in Quebec.

How did we get ourselves into this jackpot anyway? I'm sure that sometime in the future an appropriate explanation will be given by some thoughtful academic. My own view however is quite simple:

1. Politicization of trade unions
2. Non-enforcement of the law

In the early 1960's, when asked about his Government's attitude regarding collective bargaining in the public service, Premier Lesage replied: "La Reine ne négocie pas avec ses sujets — The Queen does not negotiate with her subjects." How delightfully quaint that statement sounds now! Not only does the Queen negotiate with her subjects today, she often is required to do so in an atmosphere of hostility and rancour which would make even the most bitter political opponents in Canada look like a bunch of choir boys.

In 1971, Bill 46 set out the bargaining structure in the health and education sectors and provided for Government participation on the management team as well as province-wide bargaining in these areas. By insisting upon a general salary policy for the entire public sector and a common bargaining posture regarding hospitals and schools, the Government, unwittingly, I suspect, forced the unions into a common front for collective bargaining purposes. This new grouping, representing some 250,000 people, shortly became a political instrument of unquestioned strength. Because they were on opposite sides of the table on bread and butter matters, they quickly took opposite sides of the fence on political issues. The Government soon found itself with an official opposition, in everything except elected status.

The bitterness quickly accelerated. Defiance of a court injunction in 1972 sent Messrs. Laberge, Pépin and Charbonneau to jail. The *La Presse* strike was used as a symbol of worker oppression. The unions threw themselves into an aggressive campaign against the Government in the 1973 election. Positions, and people, became irreconcilable.

In this two-way fight there were two quasi-winners: the Government and the Union establishment. There were two sure losers, the public and the worker — the forgotten guy who pays his dues, pays his taxes, respects the law and does an honest day's work. He became the tragedy of politicization: his interests were subordinated to the political aspirations of the leadership. Equally tragic is the fact that when his leaders now present legitimate demands on his behalf, they are perceived by the Government as self-serving incursions of political adversaries and are dealt with as such.

Good laws are of little value unless they are enforced. Non-enforcement is an insidious thing because it breeds a gentle but progressive suspicion in the minds of the governed that a statute need not apply to all, that exceptions can be made, that demonstrations can supplant debate, that Parliament is in fact somewhat less than supreme.

This is not to say that, in drafting legislation, Government should ignore voices of reason from any quarter. Only an exceptionally foolish and vain group of men and women would do that. But when our duly elected parliaments have spoken, be it in Ottawa, Queen's Park or Quebec City, there can be no turning back, no exceptions and, in the face of resistance, no compromise.

I realize that politics is still the art of possible, that our society is highly complex and that running a government is not an easy thing. But in regard to Parliament itself, its members are merely custodians of its supremacy. Anything that diminishes its magnificence, impairs its effectiveness or erodes its authority is a grievous act.

As Commissioners, we were dismayed to hear a Minister of the Crown, in sworn testimony before us, say that he was "powerless" to enforce legislation. And we were shocked to hear a Deputy Minister say that "when the unions have a gun to your head, what do you do? You cave in."

And cave in they did on a regular, ongoing basis. Small wonder that growing members of Quebecers began to decide for themselves what laws they would obey, and what laws they wouldn't. Unless this trend is firmly arrested, one day we, as Canadians, shall all pay a heavy price for our indifference.

If I have concentrated upon the Quebec situation this afternoon, it is merely because I am more familiar with it. But only a naive man could fail to notice that the same phenomenon is gaining popularity and credence elsewhere, in the federal sector and here in Ontario, for example.

In the federal sector alone, since public service bargaining began, there have been about thirty unlawful work stoppages. A vital question in Canada today is what has happened to blur the distinction in workers' minds between "legal" and "illegal" strikes? What causes a postal union leader to say, "to hell with the public"? What causes longshoremen to hold a meeting to decide if they will obey federal legislation, and then decide they won't?

The answer, I believe, is neither "in our stars" nor in "the universe unfolding as it should". The answer is in our leadership.

As responsible citizens of Canada, we too must start asking ourselves some blunt questions at this juncture in our nation's history. Where are we going? Who is in charge? In the astonishingly revealing phrase of no less a person than the Governor of the Bank of Canada to the Canadian Chamber of Commerce in Saskatoon, "one wonders what is going on here"!

In a remarkable speech on October 6, former Auditor General Maxwell Henderson told the Montreal Canadian Club that: "Irresponsible hands on the Ottawa purse-strings are feeding inflation, sapping the initiative of youth and leading to higher taxes and prices which strip the young Canadian of buying and investment power."

Mr. Henderson described Canada "as one of the most grossly over-governed countries in the world, with duplicated bureaucracies and a civil service force of 450,000 that keeps growing . . . where salary levels and fringe benefits are comparable or often greater than in the private sector."

From Paris comes the OECD report showing that Canada leads the entire non-Communist industrial world in benefits to the non-employee. At the same time, the OECD reports that Canada lost more man-hours per capita to labour disputes than any other industrialized nation except Italy. And while Richardson Securities reports that the purchasing power of the 1961 dollar is now 55½ cents, a University of Toronto professor tells the Sixth Muskoka Conference that the "average Canadian chooses materialistic fulfilment and enjoyment more than anywhere else".

Leadership — that indeed is the question today. If we are led by people who accept sacrifice themselves before inflicting hardship on others; who practice the virtues of thrift, compassion and humility before exacting them from us; who respect Parliament and its institutions before castigating those who have walked the slippery road of defiance; who tell us the truth even when they think we don't want to hear it — if we have that kind of leadership, and have it we must, Canada may yet fulfill that most splendid promise of her youth.

Our distinguished visitor and speaker was thanked by Mr. Graham M. Gore, a Past President of The Empire Club of Canada.

OCTOBER 23, 1975

Of Microbes, Man and Survival

AN ADDRESS BY Dr. Aurèle Beaulnes,
DIRECTOR, ARMAND FRAPPIER INSTITUTE

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Dr. Beaulnes, ladies and gentlemen: During the height of the blitz in World War II, the long suffering but stout hearted burghers of London were herded into the underground tube stations to gain emergency shelter from the incendiary and high explosives holocaust that was intended to spell doom to them and their world. The medical advisers to the government expressed their concern to Mr. Churchill that the crowded conditions and lack of proper sanitary facilities might well trigger an epidemic that would achieve what the bombs could not. The Churchill retort was characteristically defiant — in situations such as this the bugs are exhaled or otherwise discharged by the human species and are carried into the atmosphere where they eat each other up, while man walks through unscathed, and if this is not scientifically true, it ought to be! Perhaps Mr. Beaulnes will answer that question for us today.

Our distinguished guest is a native son of the Province of Quebec and he took his formal education there, culminating with the degree of Doctor of Medicine from the University of Montreal in 1953. In the period 1953 to 1958, he was a research fellow in pharmacology, first at the University of Montreal and then at Washington University, St. Louis, Missouri and Oxford University.

His subsequent career in research, teaching and consultative capacities has been in the best traditions of a learned and honourable profession. He has held appointments on the faculties of medicine at no less than five universities — Montreal, McGill, Sherbrooke, Ottawa and McMaster. In the public sector he has served as scientific officer of the Medical Research Council of Canada, being appointed an Associate of that Council in 1958, as co-ordinator of the programs on the non-medical use of drugs at the Department of National Health and Welfare, Government of Canada, and as Secretary (deputy minister) with the Ministry of State for Science and Technology. Dr. Beaulnes has performed advisory services to the World Health Organization and participated in missions to Guinea in 1969 and Gabon in 1970. In October, 1974, he was appointed Director of the Armand Frappier Institute of Microbiology, the office he continues to hold.

Dr. Beaulnes' research activities have been mostly in the field of cardiac drugs and cardiac diseases. Sir William Osler counselled his colleagues in the medical profession to "Observe, record, and publish". Clearly that counsel has not been lost on Dr. Beaulnes, who has something in the neighbourhood of a hundred scientific publications and communications to his name, either alone or in association with his fellow researchers.

It is privilege to invite Dr. Beaulnes to address us on the subject "Of Microbes, Man and Survival".

DR. BEAULNES:

I am most grateful to The Empire Club of Canada for the honour bestowed upon me through this invitation to speak to you today.

In the course of my stay in Ottawa, I was involved, among other things, in the formulation of a number of new policies, such as the contracting-out policy for government research and development, and research and development policies for the Arctic and for space. In these and other policy development endeavours, I often encountered the problem of relevance to national needs and priorities. Research and development issues are usually long term and their political facets are rather discrete. On the other hand, national priorities have in general a strong political flavour and their time scale is usually short to medium term. Furthermore, national priorities are strongly influenced by economic and psychosocial trends and are essentially mobile.

The whole situation is reminiscent of Chinese baseball. The game, as some of you may know, very closely resembles American baseball. It calls for the same number of players: a pitcher, a catcher, three infielders guarding the bases and four outfielders. One club sends its nine players to bat in succession and the batter is either struck out, walked or, if he hits the ball correctly, he runs for first base and so on. The difference? As long as the ball hit by the batter is in the air, the other club can move bases around freely.

The first half of my talk will deal with the microbial world generally. During the second half, I will expand on the main features, the major activities and the projected development of the Armand Frappier Institute.

Early studies on microbes dealt very largely with pathogenic, in other words disease-producing, species. Partly because of this, all micro-organisms were thought of collectively and indiscriminately by the laity as dangerous and mischievous germs, invisible and mysterious. However, the term "microbe" includes only a few dozen really harmful kinds of micro-organisms. In fact, there are thousands of species that are perfectly harmless, many of them of enormous value industrially, medically and otherwise. Some microbes are highly specialized types on whose activities the entire pageant of life on this planet has been absolutely dependent.

Dr. Aurèle Beaulnes, Director, Armand Frappier Institute.

I will dwell first on a few examples of useful microbes. The first refers to nitrogen fixation. In the atmosphere covering one acre of soil, it is estimated that there are some 35,000 tons of free nitrogen. Yet, though absolutely essential to life, not a molecule of it can be used as such by higher plants, animals or man without the intervention of nitrogen-fixing micro-organisms. Without the activities of these nitrogen-fixers, green plants, the entire animal kingdom and eventually man himself would never have existed at all.

A second example is that of antibiotic-producers. Antibiotics came into worldwide prominence around 1940 and quickly brought about a marked regression of several bacterial diseases, many of which were often fatal. It is sometimes not fully appreciated that penicillin and the most important and widely used antibiotics are themselves derived from other micro-organisms, namely various species of moulds.

A third example is that of microbial insecticides, the efficacy of which rests on a surprizing combination of microbes and insects. Certain bacteria produce poisons that are very effective against certain insects but harmless to other forms of life. Such is the bacillus Thurigiensis which is currently under investigation and may well prove to be an effective agent against the bud-worm disease in spruce, which is at present devastating some of our eastern forests. In view of rising objections to chemical insecticides like DDT, the exploitation of microbial insecticides appears most promising.

My fourth example, that of micro-organisms as potential sources of food, is most important and I would like to elaborate on that topic for a few minutes.

In Isaac Asimov's science-fiction novel *The Caves of Steel,* one of the conspirators, a member of an underground movement preaching a "return-to-the-soil" philosophy, is a zymologist. Before being arrested, he is mistaken for a chemist. He replies, loftily, "A chemist is a soup-pusher, a stink-operator. A zymologist is a man who helps keep a few billion people alive. I'm a yeast-culture specialist." The zymologist then brags about some of the recent accomplishments of his laboratory such as out of season strawberries, fully artificial, made from a special high-sugar yeast culture with "thrue-bred" colour and just a dash of flavour additive; he also proudly refers to a former scrub strain of yeast whose fat content has been pushed up from 15% to 87% and which is now used as the sole greasing agent for expressways. Without yeast, at the time the novel takes place, six of Earth's eight billions would starve in a year.

Are such predictions too far-fetched? Probably not. There are now approximately 3.5 billion people on the globe. By the year 2,000, the estimate is that there will be

7 billions or a 100% increase. Currently, 10% of the world population is at the brink of starvation and about two-thirds of the population already exists under varying degrees of protein deficiency. The food problem is a complex mixture of political, economic, social, and moral factors that is testing the world and the talents of our public and industrial enterprises. Specifically, the problem is concerned primarily with one food type, namely proteins.

There is mounting evidence that traditional agriculture will be unable to cope with this increasingly alarming situation. Consequently, either we face up to the distinctly unpleasant possibility of seeing an ever increasing number of people existing under conditions of greater and greater malnutrition, or we begin to search somewhat more vigorously for other means of making additions to the world protein pool. Since the traditional food sources have already been exploited extensively, we now have no choice but to turn our attention to the only types of living organisms which have not yet been exploited in any major fashion as a food source: microorganisms.

Now, let us compare the efficiency of some protein sources. Consider first a thousand pound steer. How much protein does it produce per day? One pound. In order to gain that extra pound of protein, it requires ten pounds of feed. Rather inefficient, don't you think? Swine and chicken show approximately the same degree of inefficiency. With soy beans, the performance is better. Indeed, a thousand pounds of soy beans can yield a hundred pounds of protein per day. Turning to yeast, one thousand pounds of it can in one day produce 100,000 pounds of protein: a most remarkable feat. With bacteria, the sky is the limit. Given proper engineering, one thousand pounds of bacteria could produce one hundred trillion pounds of protein per day. The reasons for this astonishing yield are the very rapid growth rate of bacteria and their higher protein content. In some bacteria, proteins account for 85% of their dry weight. Direct food use of microbial proteins is biologically more efficient, but many problems remain to be solved until any medium-term or long-term use is envisaged in humans. The first phase will certainly consist in the short-term use for animal feeds. Much research will be needed to make the products easily digestible, of negligible toxicity, and acceptable for human consumption in regard to flavour and cultural nutritional patterns.

The first steps in this ineluctable process were made a long time ago when people started eating bread and cheese and drinking wine, beer or milk. Indeed, microorganisms, such as yeasts or moulds and sometimes true bacteria, are essential catalysts in the making of these basic food items. Some are quite visible. Think of the tasty blue-green moulds in the crevices of Roquefort cheese: the little beast's name is Penicillium roqueforti. Some are detectable by the aroma they produce. In Liederkranz cheese, the smelly fellow's name is Streptococcus liquefaciens, a true bacterium.

My last example will be that of microbes effective against cancer. In the search for new anti-cancer drugs, scientists generally turn to the organic chemistry laboratory for the synthesis of new classes of compounds. We are now beginning to realize that nature's best chemists could well be found within microbes themselves. A surprizing example is that of the bacillus Calmette-Guérin, or BCG, an effective bacterial strain for vaccination against tuberculosis. Dr. Lemonde, a scientist working at the Armand Frappier Institute, found in the early sixties that the BCG vaccine was effective against the development of a number of experimental tumours in animals. In the early seventies, a similar demonstration was made in man by Dr. Davignon, also from the Armand Frappier Institute. Following an extensive review of tens of thousands of cases, she convincingly demonstrated that the incidence of leukemia in children vaccinated with the BCG was reduced by fifty per cent. An international symposium on the therapeutic effects of BCG in the treatment of cancer will be held at the Institute next April. So much for the useful ones.

Our record with disease-producing microbes shows many hits and many misses. Whereas antibiotics possess at least some degree of effectiveness against most pathogenic bacteria, they are generally useless against viruses. However, effective protection against several bacterial as well as viral diseases can be obtained through vaccination.

In instances where a world-wide concerted vaccination program can be launched, as in the case of smallpox during the last decade, complete eradication of an infectious disease is possible.

However, for many such diseases, existing vaccines are far from being perfect. Some, such as the measles vaccine, are quite labile and require very cold storage, a serious handicap in tropical regions. Furthermore, the high cost of others, as well as that of vaccination campaigns, becomes prohibitive for many of the poorer nations. Some vaccines protect for a short while only. Such is the case of the anti-influenza vaccine. Since mutations frequently occur in the virus, new vaccines must be prepared for each major mutant strain.

For some diseases, no vaccine is yet available, either because the responsible microbe cannot be cultivated artificially, as in the case of the leprosy bacillus, or else our lack of adequate knowledge of the properties or real identity of the micro-organism or the family of micro-organisms causing a given disease prevents us from developing an effective vaccine.

If our attack against smallpox, poliomyelitis, diptheria, whooping cough and tetanus has been effective, we have met with partial success only in our fight against diseases such as meningitis, which caused thousands of deaths in Sao Paulo last year, gonorrhea, the incidence of which has been increasing significantly among young Canadians recently, and rubella, which still leaves its sad trail of congenital anomalies in spite of the availability of good detection and protection measures.

A word or two about viruses. Not only are some of these micro-organisms directly responsible for a number of important diseases, but there is a growing body of evidence pointing to the role of viruses in the development of cancer and of degenerative diseases such as multiple sclerosis. A Nobel prize was awarded last week to a group of three biomedical scientists for their work on the relationship between viruses and cancer.

The solution of many overlapping microbiological problems and opportunities referred to up to now requires an innovative and multi-disciplinary research program aimed at the acquisition of new knowledge, at the development of new or better drugs or vaccines, as well as the production of related goods and services.

It is specifically to meet such an objective that the Armand Frappier Institute, known until last June as the Institute of Microbiology and Hygiene of Montreal, was established in 1938. Dr. Frappier, my predecessor, the founder of the Institute and its director until 1974, set forth at the very start the principle of excellence and self-sufficiency in the demanding scientific and technological problems he chose as his early endeavours. Thirty years before they were propounded, he was applying several recommendations of the Senate Committee on Science Policy, among others the provision of effective transfer mechanisms between research, development and the production of goods. During the war years, he developed a crash program for the preparation of blood plasma, vaccines, and sera for the Armed Forces. In recognition of the services rendered, he was named Officer of the Order of the British Empire. He was a pioneer in several research and university teaching domains and his many contributions in the field of tuberculosis brought him international recognition. I will not dwell any further on his long and most fruitful career. Suffice it to say that he received honorary degrees from European and Canadian universities, that he is a Fellow of the Royal Society of Canada and a Companion of the Order of Canada, the highest Canadian decoration. More of you may now understand why the Institute was recently named after him.

The Institute was modelled after the world-renowned Pasteur Institute, famous among other reasons for the many Nobel prizes awarded to its scientists. Our basic objective is a humanitarian one, namely research and services oriented towards the prevention of infectious and other diseases in man and animals. In response to the needs felt by governments or by society in general, the Institute has supported a gradually expanding production facility which now brings $3 million, or 40% of our total budget. The other budgetary components are a provincial government grant providing 45% of our revenues and nearly $1 million in the form of some sixty extra-mural grants or contracts obtained mostly from federal sources. Any profit derived from production is automatically transferred to the research budget.

The Institute is unique in Canada in terms of its structure and its four complementary thrusts: oriented research, graduate teaching, diagnostic and vaccination services and production. As part of the young and very dynamic multi-campus University of Quebec, the Institute possesses, through its own board of administrators and letters patent, a large degree of autonomy.

It is essentially made up of five research centres and of a separately managed production program.

The five research centres are those of bacteriology, virology, immunology, epidemiology and health and veterinary medicine. Development of a sixth centre, that of molecular biology, has been approved by our board of administrators, and a seventh one, that of applied and industrial microbiology is in the planning stage.

The Institute is a large, one-mile long peaceful oasis located in the very centre of the broader Montreal area and on the border of the Rivière-des-Prairies. It is staffed by 400 people, including sixty scientists and professionals, working in fifteen small and seven larger buildings. Its major research themes are viral diseases in man and animals, tuberculosis and leprosy, various immunological problems including multiple sclerosis and graft rejection, cancer and chemotherapy. Time does not allow me to elaborate on each of these topics. A word or two though on a couple of programs.

Our chemotherapy program was launched six years ago in close collaboration with the Toronto research laboratories of Canada Packers. This most fruitful relationship has allowed the synthesis in Toronto of more than 450 new compounds which were all screened in our Institute for anti-viral and anti-bacterial properties. The search, supported by the Industrial Research Assistance Program of the National Research Council, has led to the discovery of a number of very promising drugs, some of which will soon be tested in humans.

Another program, our influenza research and vaccine development program, has been crowned recently by a federal-provincial agreement whereby all eleven levels of government have indicated their willingness to support the mechanization and marked increase of our influenza vaccine production, from 100,000 doses to 3 million doses, enough to vaccinate all Canadians who, in times of epidemics, become the choice targets of the ’flu virus, namely people aged 65 or more and those suffering from chronic cardiac or respiratory diseases. The federal Minister of Health and Welfare is coming to the Institute in ten days to hand over a $200,000 contribution towards the launching of the expanded program. I am happy to report that the province of Ontario was one of the first to agree formally to the purchase of a minimum number of doses of our vaccine, an essential condition for our taking the risk to manufacture that tricky and evasive vaccine at a reasonable cost.

In summary, the microbial world is more a friend than a foe. Even though microbes are responsible for the worst afflictions man has known, as well as for a number of diseases still badly crippling the less developed countries and from which the more advanced nations are far from being effectively protected, they have played an essential role in man's evolution and, through the activities of thousands of harmless species, they represent the ultimate source on which humanity depends for much of its nourishment and for a more effective use of its resources. Harnessing this endless and surprisingly efficient reservoir of energy and primary foodstuffs must be acknowledged as a primary target for Canada and an essential factor in man's survival.

For nearly four decades, the Armand Frappier Institute's accomplishments and basis of expertise in microbiology and related disciplines have been steadily expanding. Its unique structure and breadth of operations allow it to tackle simultaneously an extensive multidisciplinary research program, the graduate and technical training of a large number of students, the provision of specialized vaccination and diagnostic services, the production of many vaccines, sera, cell cultures, culture media and special animal strains and the provision of expert consultant services at home and abroad. Because of its broad mandate, its versatile structure and its large campus, the Institute's potential for growth is considerable. It is at present embarking on an important renovation and construction program to provide more adequate space and better facilities for our virus, our cancer and our epidemiology research activities, to allow for the establishment of new units in the fields of molecular biology and applied microbiology and to support the growth of our production programs geared to meet the demands of the Canadian and of some international markets.

Above all, the Institute must be viewed as a national resource, capable of anticipating future problems and opportunities and willing to respond to the needs of the Canadian community.

Our distinguished visitor and speaker was thanked by Dr. Harold V. Cranfield, F.R.C.P.(C), a Past President of The Empire Club of Canada.

OCTOBER 30, 1975

Competition Policy in Canada

AN ADDRESS BY Dr. Sylvia Ostry,
DEPUTY MINISTER, DEPARTMENT OF
CONSUMER AND CORPORATE AFFAIRS

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Dr. Ostry, ladies and gentlemen: Our distinguished visitor and guest speaker today, like young Lochinvar, came out of the west. More particularly, she came out of that relatively small Jewish community in Winnipeg's north end which has provided a disproportionately large number of prominent Canadians who add such lustre to our national life. I refer, of course, to people such as the Honourable Sam Freedman, Chief Justice of the Supreme Court of Manitoba; his brother, Max, the Washington correspondent for the *Manchester Guardian;* Max Cohen, sometime dean of the Faculty of Law, McGill University, and currently Chairman of the International Joint Commission; the novelists, Adele Wiseman and Jack Ludwig; and Larry Zolf of the CBC, to mention only some of them. She is, indeed, in illustrious company and in the great tradition.

In dwelling upon the biographical material and the achievements of Dr. Sylvia Ostry, I am impressed with the intellectual schizophrenia which, by design or the sheerest chance, appears to be a compelling factor in her life, a concatenation of disparities which would drive lesser mortals to despair. It takes a special kind of person to see the grand design, the beauty and the symmetry in such seemingly unconnected matters as a formal education in medicine and economics; the uninhibited life of the academic, which she pursued with such distinction for a period, and the pragmatic strictures of governmental administration within which she now must work; the academic allegiance of a scion of both Oxford and Cambridge — a mixing of the muddy waters of the Isis and the Cam; in her own discipline of economics to be undismayed by the spectre of recession and inflation existing in awesome proportions at the same time; and, finally, in the government department of which she is the administrative head, to have within one's knowledge and expertise the details of the new competition bill (a brave new venture in government monitoring of the market place) in one branch of her responsibility, whilst guiding the destinies of policy and administration in another branch dealing with the civilized world's oldest private monopoly — patents and industrial property generally.

These things she has done, is doing, and more, all in a way that leads one to believe that, alone in this modern world, she has recaptured the happy versatility of the ancient Greeks. In a manner of speaking, the world is her "Ostry".

Ladies and gentlemen, it is indeed a pleasure and privilege for me to introduce Dr. Sylvia Ostry, Deputy Minister and Deputy Registrar General, Department of Consumer and Corporate Affairs, Government of Canada, and I invite her to address us on the subject, "Competition Policy in Canada: Yesterday, Today and Tomorrow".

DR. OSTRY:

I am very pleased to have this opportunity to address the members of the Empire Club. This is a particularly propitious time for such an address for a

Dr. Sylvia Ostry,
Deputy Minister,
Department of
Consumer and Corporate
Affairs.

number of reasons. The first stage of the proposals to amend Canada's competition law has just received final reading in the House of Commons, and the current policy environment heightens the importance, today and for the longer-run, of reflecting once more upon the significance of competition policy for this country.

One can safely assert that the development of a new competition policy for Canada has not been an easy task. I was recently glancing again at some of the reaction that has greeted the continuing efforts in this direction. To some of its opponents, competition legislation is clearly something to be placed in a catalogue of horrors, matched only, perhaps, by plagues, incest or tax reform. The long debate over the competition bill, or more precisely bills, has certainly been characterized by much sound and fury. The obvious questions are why has the government persisted in its efforts? Why, in view of the strong opposition from many powerful segments of the community, has the government felt it necessary to proceed with the attempt to bring forth a major revision of Canada's competition policy?

The simple answer to that question is this: the evidence is quite clear that an effective competition policy can contribute to the strength of the economy and the welfare of Canadians — *all* Canadians; we do not yet have an effective competition policy; and, in face of the changes taking place in the approach by other countries, and particularly our trading partners, Canada's present anti-combines legislation is proving to be dangerously behind the times. I would like to elaborate in turn on each of these points. First let's look at the importance of competition policy to the realization of Canadian goals.

The primary objective of competition policy is to promote efficiency in the allocation and use of the economy's resources. Efficiency is, of course, something that depends on a combination of factors including receptive attitudes, beneficial organizational and institutional structures, and a favourable economic environment. But when competition policy is working well it will help encourage a high level of economic performance, and make a not insignificant contribution to seeing that the economy's scarce resources are used to their best advantage in meeting the demands of consumers.

In this sense, competition policy should commend itself to all market participants. For consumers, well-functioning competitive markets mean greater product choice and the availability of higher-quality and lower-priced goods and services than would otherwise exist. For producers there will be an increased incentive to innovate, to keep costs down and to eliminate sloppiness. And for Canadians generally an effective competition policy will help in the achievement of a strong rate of economic growth.

When the Economic Council issued its *Interim Report on Competition,* it was careful to point out that a competitive market is not something to be sought for its own sake; the goal we should be striving for is efficiency. Competition is important because, and here I quote the Council, "Competitive forces where available provide the surest stimulus to the efficient production of goods and services". In other words, there may be circumstances in which competition is inimical to efficient performance; but as a rule competition policy should be directed to promoting a situation of every man for himself and may the least competent get hammered.

This description, harsh as it may sound, paradoxically reflects what to many is perhaps the most appealing aspect of competition: its conformance with a very basic (if perhaps increasingly unfashionable) notion of fairness. Fairness in this sense describes a situation in which individuals are free to compete and limited only by their desire and ability to do so. An effective competition policy will remove artificial restraints from the market and substitute regulation by market forces for regulation by industry or by government.

In this connection it's worth stressing that the importance attached to competition policy in a sense constitutes a reaffirmation of the government's endorsation of the fundamental "legitimacy" of the market in a pluralist society. What is being said in effect is that the basic economic questions, of what is produced, how and for whom, can, in most cases, best be answered not through increased government intervention and regulation, but through the interplay of market forces. The function of competition policy is to encourage these forces, to strengthen the invisible hand which has, over the years, become increasingly palsied.

Of special importance in today's environment, is the role of competition policy as a potential weapon in the long-term battle against inflation. It seems clear that at times large and powerful industries have played an important leadership role in the inflationary process; the price and wage increases established by these industries have very often been the targets at which others with less market power aim. As well, there is considerable evidence that prices in concentrated industries are less responsive to changes in the general level of business activity. This suggests that by reducing opportunities for the exercise of market power, competition policy can help to provide a firmer basis for the operation of the traditional economic levers and a greater prospect for success in controlling inflation.

I expect that these arguments indicating the importance of competition policy are not totally unfamiliar to you. Nor, I suspect, are most of you unsympathetic to what we are trying to achieve in terms of a more efficient economic apparatus. Some businessmen, however, have questioned the desirability of various proposals in view of the particular characteristics of the Canadian economy. I would argue that important features of the Canadian economy make it *particularly* essential that we develop an effective competition policy. I am thinking, especially, about the degree of openness of the Canadian economy and the extent to which our collective prosperity rests on the ability of Canadian industry to maintain its international competitiveness. I also have in mind some data which indicate a disturbing level of concentration in the Canadian economy. A study by my department showed that in 1965 there were 170,000 active corporations in Canada, but that the 174 largest accounted for half of total corporate assets. The same study showed further that industrial concentration is considerably higher in Canada than in the U.S.: the fifty largest manufacturing companies, for example, accounted for 36% of total manufacturing value-added in Canada, as compared to 25% in the U.S. These figures suggest the existence of considerable market power and they indicate that the Canadian economy may be particularly vulnerable to abusive and detrimental market practices.

The degree of concentration in Canada is perhaps partly understandable in view of the relatively small domestic market. But there is considerable evidence that, despite the highly concentrated structure of Canadian industry, production units in this country tend to be excessively diversified, are often undersized, and typically unable to exploit potential economies that are available from longer production runs. A number of studies have linked both the structure and performance of Canadian industry to the weakness of competitive stimuli in the Canadian economic milieu. These findings are disturbing. They suggest that a number of policies which may have had the effect of sheltering domestic industry are perhaps in need of careful reassessment; and they make it quite evident that we have not been getting good value from our competition legislation.

Let's turn now to focus a little more closely on that legislation (prior to Bill C-2, the current amendments). The origin of present law can be traced back to an 1889 Act prohibiting conspiracies and combinations in restraint of trade. However, it was not until 1910 and the passage of the first Combines Investigation Act that machinery existed for the investigation of alleged offences. The intention of the 1910 Act, as Mackenzie King put it in his inimitable way, was "to prevent the mean man from profiting in virtue of his meanness". To this effect the legislation was replete with qualifications, some of which were retained through subsequent revisions. It is still the case that unlawful agreements and combinations are those which "unduly" lessen competition.

Over the years judicial interpretation has somewhat, if not entirely, clarified the meaning of some of these vague references. Further to this end, one of the amendments introduced in C-2 is being added to confirm that the meaning of "unduly" does not entail proof that a merger or agreement will *virtually eliminate* competition.

Another characteristic of this early legislation was that it pertained only to some commercial activities — those involving goods. In the 1923 revisions to the Act, services were brought within reach of the law; however that change was short-lived and present legislation (i.e. before C-2) still applies only to articles and "article-related" services such as transportation and insurance.

During the Great Depression, price discrimination was brought into the Act for the first time. Then, during the 1950's, the competition law was broadened by the prohibition of resale price maintenance and an extension of the powers of the Director of Investigation to undertake general inquiries.

In the recent past the main change involved the insertion of provisions relating to misleading advertising. At the same time, however, the deficiencies of the legislation became increasingly apparent. It became evident that the Act did not provide the machinery to protect small businessmen against several forms of abuse by dominant suppliers, nor did it provide adequate protection for consumers against false market information. The only possibility for the recovery of damages suffered as a result of uncompetitive behaviour was to institute costly and highly uncertain criminal proceedings. Moreover, the legislation, with its basis in criminal law, provided for an inflexible approach which is illsuited for dealing with several potentially beneficial business practices. In short, attempts to apply competition policy made it amply clear that Canadian combines legislation was badly in need of reform.

This same point comes through even more forcefully from an examination of developments in other industrialized countries. In the period since World War II there has been an unmistakable thrust among most of Canada's main trading partners for more rigorous implementation of competition policy. Japan, Australia, Britain, Germany, to name a few, and the EEC Commission itself have developed major new anti-trust legislation since the war. In Europe generally there has recently been a substantial increase in the number of anti-trust cases undertaken, and indication of a greatly enhanced commitment to competition. And in the United States, where the term competition has always had overtones of ideological zeal, restrictive practices are being pursued with increased vigour; a recent article in *Business Week,* for example, notes that the recent attack on price fixing in the United States "may prove to be unprecedented in breadth and intensity."

What these developments signify is that with respect to competition policy Canada has some considerable yardage to make up. Until Bill C-2 we had the dubious distinction of being the only industrial country to exclude services from our anti-trust legislation. While Canada remained confined by its strict adherence to a criminal law approach, European countries had rather successfully adapted civil law to the requirements of anti-trust policy, and the United States a combination of criminal and civil law. Canada's approach to mergers, moreover, raises some questions in the face of U.S. experience, which indicates the importance to, as it were, nip in the bud industrial formations which are likely to result in monopolies. As one distinguished expert has noted, when enterprises become large and powerful, attempts to control their power by anti-trust proceedings are few, and successes fewer.

Another serious limitation of Canadian policy is related to the operation of multi-national corporations. What has become of particular concern is the attempt by the United States government to extend its own anti-trust legislation to the operation of subsidiaries of American corporations located in Canada. This phenomenon of extraterritoriality raises both practical problems and fundamental questions about Canada's ability to assert its sovereignty. The failure of Canadian legislation to deal with this problem, and to help ensure that American anti-trust decrees do not frustrate Canadian policy objectives, had to be remedied.

And so, from several sources the message came through loud and clear that Canada's anti-combines machinery was in need of a fundamental overhauling.

Bill C-2, which was passed by the House of Commons two weeks ago, is, as mentioned, only the first stage in the government's response to these signals. In this sense the passage of C-2 represents only partial fulfilment of the process which was set in motion some nine years ago when the government requested the Economic Council of Canada to undertake a study of Canada's competition policy. The Council's recommendations formed the basis for Bill C-256, which was introduced in 1971 with the intention of providing an opportunity for widespread public debate. The decision to develop competition policy in two stages followed a subsequent recommendation by the Commons Committee on Trends in Food Prices. You may recall that the first stage was initially introduced into the Commons in 1973 as Bill C-227.

Now, at long last, part of the package of revisions planned for Canada's anti-combines legislation is (virtually) law. The highlights of Bill C-2 include:

> extension of the Combines Act's prohibitions to all services;
>
> the civil law reference of certain business practices to the Restrictive Trade Practices Commission for a determination of their effect on the public interest;
>
> the strengthening of consumer protection measures with regard to false market information and double ticketing;
>
> provision for the recovery of damages through civil suits;
>
> the strengthening of the prohibition against resale price maintenance;

the prohibition of bid-rigging;
authorization for the Restrictive Trade Practices Commission to deal with the matter of extraterritoriality.

In the very near future the government intends to proceed with the second stage of competition policy revisions. This will cover: mergers, monopolization, price discrimination, specialization and export agreements, and the reform of the Restrictive Trade Practices Commission. As in the case of stage one the proposals are being shaped by what we have learned from the deficiencies of present Canadian legislation, from foreign experience with competition policy, and from the findings of a number of studies on the structure and performance of Canadian industry. And, again, in designing the apparatus of competition policy we will be trying to achieve a judicious balance between the requirement for a flexible policy, one which lends itself to a consideration of the important factors that bear on efficiency in particular cases, and the requirement for legislation which is clear, and that can be easily and speedily applied. The final outcome of this entire rather prolonged process of revision should thereby reflect our effort to maximize the difference between the costs of competition policy, in terms of administrative overhead and the uncertainty and delay imposed on business, and its benefits, in terms of the potential contribution to the efficiency of the Canadian economy.

In closing, let me remind you that there is considerable evidence that Canada's industrial performance is not what it should be; indeed, in recent years our productivity growth has been lagging behind that of most other major industrial countries. These findings should be of major concern to us all. I would suggest, moreover, that they are indicative of the urgent need for a range of policies which can help spark the "creative dynamism" within the system and propel the forces of economic change. Not least among such policies, I would submit, are our efforts to mold competition policy into a more effective instrument.

Those of you who remain unconvinced of the need for these efforts might well take note of the response of Maurice Chevalier when he was asked how it felt to become 80. "Marvelous," he replied, "when I consider the alternative."

Our distinguished visitor and speaker was thanked on behalf of the audience by Sir Arthur Chetwynd, Bt., Immediate Past President of The Empire Club of Canada.

NOVEMBER 6, 1975

The Role and Function of the Ombudsman

AN ADDRESS BY Arthur Maloney, Q.C.,
OMBUDSMAN FOR ONTARIO

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Mr. Maloney, Mr. Speaker, Your Grace, ladies and gentlemen: Permit me to say, Mr. Maloney, that rarely, if ever, has the appointment of anyone to high office in the public service of this Province attracted, and, in my respectful opinion, deserved, such unanimous public enthusiasm and acclaim, and I would not want any words of mine to detract from such an auspicious entry upon the official and important duties of your office. But I feel compelled to give you some good advice, if only for the reason that you have sought, and are seeking advice concerning the methods by which you are to discharge your mandate. In preparing myself for that task, I have read Bill 86 of the Legislature, being "An Act to provide for an Ombudsman to investigate Administrative Decisions and Acts of Officials of the Government of Ontario and its Agencies". It is an interesting legislative fiat in many respects, not the least of which is the fact that you are sentenced to at least ten years of penal servitude, but which, I understand, is not without its many rewards. I note particularly that the Ombudsman is required to report annually upon the affairs of his office to the Speaker of the Legislative Assembly, whilst being bound under oath not to disclose any information except that which, in his opinion, ought to be disclosed. May I, therefore, offer my services to you as one fairly experienced and reasonably skilled in the art of writing annual reports which do not say anything. I believe I can help you.

Others have been equally generous in giving their advice. For example, in making the public statement on the establishment of the office of Ombudsman for Ontario, on May 22, 1975, the Premier of the Province laid particular stress on the point that "under our proposals, as in all other parliamentary systems, the Ombudsman will *not* have supervisory power over the administration of justice". And, in an editorial of *The Globe and Mail* on September 24, 1975, it was stated that "the administration of justice is most certainly a provincial government matter falling within the ombudsman's jurisdiction". Well, Mr. Maloney, I suppose those are the alternatives! I feel bound to say that the Act, and Section 14 particularly, supports Mr. Davis, but I am not to be understood as suggesting that *The Globe and Mail,* in formulating its editorial policy and opinion, feels itself bound by the law or, indeed, the facts.

We are all agreed, however, Mr. Speaker, that we have the right man in the right spot. As a highly skilled and experienced lawyer and legal counsel; as an administrator and student of the processes of government, both as a Member of Parliament and Parliamentary Secretary to the Minister of Labour; and, perhaps even more importantly, as a man who has demonstrated in the causes he has espoused, and the way in which he has espoused them, that he really cares about people and their problems, there can be no doubt that Arthur Maloney stands eminently qualified to discharge the onerous and critical tasks which have been assigned to him.

Because I am aware that Mr. Patrick Reid of Rainy River has introduced a private member's bill in the Legislature to provide for the appointment of a labour Ombudsman; because I am also aware, now, that there is a self-styled Ombudsman on CBC-TV; and also because I am aware that the creation of an office of Ombudsman in municipal governmental affairs is mooted, may I ask that the real Ombudsman stand up and I invite him to address us.

MR. MALONEY:

Mr. Chairman, Your Grace, Dr. Howes, Mr. Speaker, distinguished guests, ladies and gentlemen: If anyone is loaded at the Head Table, like the Chairman suggested, they must have got here a lot sooner than I did! I'll have to remember to arrive earlier the next time I come to the Empire Club. It is great to be under the same roof with Archbishop Pocock and Dr. Howes. The last time I saw Dr. Howes was when I spoke at his church on capital punishment, and since then he became Moderator of the United Church. If some great disaster should befall us in this room at the moment, I hope the Archbishop and Dr. Howes have very strong coat-tails. I'd like to think that we would all end up at the Pearly Gates behind them.

Bob Rutherford and I were at a dinner in the Royal York Hotel a few years ago when the guest speaker was Lord Salmon of the House of Lords. He told us the story of a guest speaker in England who I will be careful not to emulate. He had far too much to drink. He could barely be heard, and he went on interminably. When he sat down he leaned over to the Chairman and said, "How was I?" The Chairman thought for a moment and said, "You were Rolls Royce." The Chairman's wife leaned over and said, "How could you say that to him? You are a hypocrite. That was the worst speech we ever heard." He said, "I didn't lie to him. I told him it was Rolls Royce. He

Arthur Maloney, Q.C., Ombudsman for Ontario.

was well oiled, barely audible and lasted forever."

I'll not make the mistake of speaking too long like I did in Rockwood apparently a few months ago. I was invited to speak on an ecumenical occasion at the Presbyterian Church in Rockwood. Once again I spoke on the subject of capital punishment. When the speech was over, the Minister of the Church told the audience that I had agreed to answer questions. No one asked any questions. As I was about to leave the stage, a little eight-year old boy put up his hand and said, "I have a question. Why did you talk so long?" Question periods are dangerous anyway. Archbishop Pocock found that out some time ago. He was addressing a group of students. At the end of his talk he agreed to questions, and one of them said, "Archbishop, how could Jonah live in the belly of the whale for three days?" The Archbishop said, "I haven't the slightest idea, but when I go to Heaven, I'll ask Jonah." But the student wasn't happy with that. He said, "What if Jonah isn't there?" And the Archbishop said, "Then *you* ask him."

The Archbishop and I were at a dinner some time ago addressed by his colleague Archbishop Fulton J. Sheen, who told us he checked into the Four Seasons Hotel and opened up the Gideon Bible. Inside the cover it said, "If in despair, Isaiah 9, 25-27. If lonely, Jeremiah 4, 63-66." And underneath, in long hand, someone had written, "If Jeremiah doesn't work, try Marje, 366-5462."

He also told a story on that occasion about how Archbishops have an item of clothing that they wear on important liturgical occasions called a rochet. It is linen from the neck to the waist, and lace from the waist to the knees. The Archbishop said he went out for a walk in Chicago one night and when he came back to his hotel room, the maid had left his pyjamas on one bed and his rochet on the other.

When I come to the Empire Club in November, 1975, I am reminded that the last time I spoke to this club was in the Royal York Hotel on November 24, 1954, twenty-one years ago. At that time the Chairman was your president, James Joyce. He introduced me as a thirty-five year old lawyer. My colleague who participated in the debate (it was again capital punishment, curiously enough) was Joe Sedgwick. It brought happy memories back when I recalled that day. In taking on this new assignment, I have given up the law, a field which involved for me a labour of love. I will miss it. The law has meant much to me. It was a lifetime of excitement. There were never monotonous moments. Every client was a new person to be liked or disliked, to be helped, a new interesting personality. I remember the appearances before the great judges of our province and our country, the great moments in front of the jury, that great and incredible institution, the great invention of man, that was set up to secure your rights and mine. In leaving all that, I take on a new assignment to which I very much look forward.

A lot of people have difficulty pronouncing my new title. I got a letter from a lady who congratulated me for becoming "whatever that thing is you are now". Another one wrote to me and said that we needed a good woodsman in government in Ontario and had for a long time. Charlie Farquharson called me "Artie Baloney, yer Ominous Budsman". And finally a lady from Eganville called my sister there and congratulated her on her brother's appointment as Ontario's first bombsman.

The office of Ombudsman has a long history. It started in Sweden in 1809, when a Parliamentary Agent for Justice was appointed, as an expression of independence from the king. Over a hundred years elapsed until Finland introduced the functionary in 1919: then New Zealand in 1961, Great Britain in 1967. Today 134 countries and 269 cities sprawled across the world have experimented with this office. In Canada, eight of the provinces now have their own Ombudsman. At the federal level, Keith Spicer, who is Commissioner of Official Languages, fulfils the function in that limited area in the federal field, and also Inger Hansen, Q.C., was appointed some time ago to act as Ombudsman for the federal prisons and penitentiaries.

There are several reasons for the existence of the office of Ombudsman. Mr. Justice Brandeis once said, "the right to be let alone is the right most valued by civilized man". However, in the last thirty years that notion has been increasingly challenged. Following the Great Depression and World War II, we witnessed the rise of the modern and massive welfare state. We are familiar with its functions — welfare, education, medical care, housing, social security. These affect the lives and property of all. These were functions set up to serve us all, because prior to that they had been non-existent. They were set up to be of benefit to all of us. But in order to set them up properly, they had to be accompanied by a vast bureaucracy which became larger and larger as the province grew bigger and bigger. Government and the citizen intersect at every turn. The citizen is confronted by all types of boards, agencies and departments which have been allotted most extensive powers.

What role does the Ombudsman play in that setting? In our Province, we have about eight million people, we have a civil service of approximately one hundred and twenty thousand persons, we have an annual budget of eight to nine billion dollars to finance it. The structure of government is immense. If you take it on with all the clout you have if you are a great Bar Association, a Medical Association, or a large conglomerate of corporations, then maybe you do have a better chance in the contest. But if you take it on as an individual, shouting out against some private grievance, your voice can be only a whisper and the contest is very unequal.

The inequality of the contest that I used to experience as a lawyer in the courts between the state on the one hand and the accused person on the other never ceased to amaze me. I would go into court, day after day, defending an individual charged with an offence, and would see arrayed against him a skilfully prepared case, prepared by trained detectives, experts in handwriting and ballistics and all the fields of expertise involved, trained prosecutors to prosecute, and I used to wonder if it was really fair. The person on the other side was invariably alone. He only had me or one of my colleagues going for him. Legal aid did much to change that. But it is the same kind of inequality now that the citizen, when he speaks alone, experiences against the great structure of government and of the bureaucracy.

That's what the Ombudsman, in part, is all about. He evens things off a bit, and he provides an equality that was lacking before. He has been given good office facilities, staff, equipment, and these enable me to find my way around the labyrinth of government on your behalf. I have the power to subpoena, to hold hearings, to examine files. Nothing can be held back from me. The ordinary citizen, in me or whoever is the incumbent of my office, now has a clout that he lacked before.

I was obsessed, and have been ever since I took the appointment, with the fear that the operation must never become the bureaucracy it was set up to survey. I appreciate the immensity of the structure of government. I acknowledge I must have a staff large enough to enable me to discharge my functions properly, but I must ensure that my operation remains small enough so that it does not lose its sense of intimacy, so that it never becomes the bureaucracy.

The powers of the Ombudsman are set out in the Ombudsman Act. They enable him to investigate decisions, recommendations, actions or omissions in the course of the administration of a governmental organization in Ontario. The Act expressly provides that its powers do not apply to judges, or to the functions of any court, or to the deliberations and proceedings of the Executive Council or any of its committees. We have no power to investigate any person acting as legal adviser to the Crown or acting as Counsel to the Crown in relation to any proceedings. Our office is empowered to start an investigation, even where a right of appeal is provided, provided all other existing appeal procedures have been employed, or until after any time for the exercise of those rights has expired.

Inger Hansen, the distinguished lady I referred to a moment ago as the federal Ombudsperson for prisons, said "a great danger that menaces an Ombudsman or protector of citizens is that of creating a parallel bureaucracy". This is why the complaint addressed to the Ombudsman must be a last resort. It could never become a substitute for the present bureaucracy. Otherwise there would become a need for an Ombudsman for the Ombudsman.

We have taken certain actions in our operation in the hope they will help to improve our efficiency. It is absolutely essential to the effective operation of the office that lines of communication be established between our office and those organizations and agencies that can assist us in responding to complainants' grievances that either fall within or without the purview of my jurisdiction. To this end, arrangements have already been made with several federal government departments to refer to them, with the consent of the complainants, grievances falling within their authority and competence. A like arrangement will be implemented for complaints directed to us against municipal and regional governments and their agencies and authorities. Representatives from our office have met with representatives of both the Law Society of Upper Canada and the Ontario Legal Aid Plan, in order that officials of these organizations (which do not fall within the jurisdiction conferred upon me by the Legislature) be advised of the manner in which I propose to deal with complaints, when they come to us, about lawyers or the Law Society or Legal Aid, and they are referred back to the Law Society and to the appropriate tribunals there to deal with them.

Likewise, the Law Society and officials of the Ontario Legal Aid Plan have indicated how they intend to refer to the Ombudsman complaints received by them against governmental organizations of Ontario. In addition, we have benefited from the referral systems utilized by these organizations in the development of our own referral service.

A meeting has taken place between officials of my office and officials of the Clarke Institute of Psychiatry in Toronto, to explore how we may best benefit from the various services offered by the Clarke Institute in responding to complainants who may have psychiatric or psychological problems, such as the one who believes we should assist him to establish his position as the Prince of Wales.

Our research department has established contact with the Deans of the six Law Schools within the province, with a view to having interested and able law students perform a research function for the office on a part-time basis. In addition, some research projects relating to the Ombudsman's Office could be conveniently integrated into the students' academic program. In such circumstances, it is envisioned that there would be directed research with a faculty input. Not only does our office stand to gain from such an arrangement, but it is hoped that the future lawyers of this province will thus be sensitized to the problems encountered by the citizens in their relationship with the many Ontario governmental organizations and agencies.

One of the questions that comes up, as the office of Ombudsman is discussed from time to time, is his relationship vis-à-vis the elected members of the Legislature, because every elected member of the Legislature is an ombudsman in his own right, and there are one hundred and twenty-five of them. I, as the Ombudsman of the province, anticipate and expect and intend that I shall work in very close collaboration and accord with every one of them. I should like to think that my office, my staff and the facilities of the office will become a very important adjunct to the individual member of the Legislature as he seeks to perform his own functions as well. With the staff and facilities that we have, we can assist him to do what we're now doing ourselves — finding our way around the labyrinth and complexity of government. He will be entitled to call on us, so that he can avail himself of the expertise which we will hopefully build up in that respect. This will enable him to carry on his functions of examining legislation, serving on committees, generally paying close heed to the needs of his constituents, while we can save him a lot of time and frustration in this other area.

We have been given, with that in mind, an office facility in the Legislature itself, which will remain open throughout the year.The hours it will maintain will be the same hours as the Legislative Chamber itself maintains.

One of the matters on which we took a rather strong position was that my office location should be away from any existing government building. Accordingly, we have a great location in the Thomson Building at Queen and Bay Streets, which is our main headquarters.

Ontario is properly designated as a pluralistic society. With that in mind, we have sought to ensure that the office is staffed in a way that will be representative of the make-up of our Ontario society. As a result we have a staff that is not only in a great many cases able to communicate in the French and English languages, our native tongues, but also includes representatives who are able to speak and communicate fluently with anyone who comes to see us in Italian, German, Russian, Ukrainian, Polish, Czech, Slovak, Estonian, Yiddish and Hebrew. We have arranged facilities through outside interpreters to help us in the event that some individual comes to us whose language facility is not one that we have readily available.

You probably read that we selected as our symbol the griffon, which in Greek mythology is the bird which is supposed to be the offspring of the eagle and the lion, and is looked upon traditionally as the protector and guardian of the citizen's rights. We rest our griffon on three trilliums, one signifying our Anglo-Saxon heritage, another our French heritage, and the other the heritage we derive from the vast hundreds of thousands of people who have emigrated to Canada from Europe and Asia.

One of our problems has been accessibility. We must make sure that the office of Ombudsman is realistically accessible to as many people as possible in the province. On the question of accessibility, one area of concern to me, perhaps because of my experience as a lawyer, is the part of our population that is held in prisons or in mental hospitals. These people very frequently have very legitimate grievances and causes of complaint. The Act under which I was appointed recognizes their plight by specifically providing that they must be able to write to me without their letters being opened. If any custodial officer were ever to open a letter written by a prisoner to the Ombudsman he would be guilty of what would be regarded as a very serious offence. These people have a great problem of accessibility.

Your Grace will remember the episode in the life of Pope John, when he went to the Regina Coeli prison in Rome. He said to the prisoners as they were all gathered around him, "I've come to see you because you can't come to see me." With that in mind, we have set up a Directorate of Institutional and Special Services, whose function will be to take care of the needs and the requirements of people who occupy the penal and mental institutions of our province. In addition, unless the work load in that area becomes too great, it will take care of the problems of juveniles, infirm and aged people, and workman's compensation cases. To perform that very important function, I have invited Ellen Adams to come as of December 1. At that time she will relinquish the post she now holds of Special Adviser and Special Assistant to Stephen Lewis, the Leader of the Opposition. He graciously relinquished her from his staff to enable her to take on this new and very important assignment.

While we are on the subject of political affiliation, one of the matters that touched me very deeply was what occurred in the Legislature on May 22 when my appointment as Ombudsman was announced. The Premier, Mr. Davis, announced it. It was only natural that I should wait in the Gallery with considerable expectation as to the sort of reaction the announcement would produce. I was deeply moved and gratified when Stephen Lewis, now our Leader of the Opposition, spoke in very moving terms in support of what the Premier had announced, and the Leader of the Liberal Party, Bob Nixon, did the same thing. Subsequently, when the matter came to a vote in the Legislature, every member of all three political parties voted in support of the creation of the office of Ombudsman and voted in support of my nomination in particular. Of course, this unanimity of political support gave me added determination to ensure that I would carry out the functions of the office in a way which I would hope none of them would ever have occasion to find fault with. I am very grateful to them, and I am inspired to greater things by reason of the confidence I know they all have in me.

The swearing-in took place on the 30th of October. In June the Attorney General stated in the Legislature that the occasion of the swearing-in was to take place in the Legislative Chamber itself. Had he asked me my view as to that, I would have concurred whole-heartedly. I want to thank you, Mr. Speaker, and your staff, Mr. Rod Lewis, Q.C., the Clerk of the House, and his assistant John Holtby, for the superb arrangements that you made for the swearing-in and for the efficient manner with which the ceremony was performed and carried out.

Here is an office set up to meet the needs of the ordinary individual — people like you and me who up until now have had to speak as individuals, speak on our own. This office was set up to accommodate us and our requirements for the first time in the history of the province. I thought the decision that it should be given a high-class send-off was something that was very much to be desired.

The Ombudsman will be objective, unbiased, fair. Just because I have been set up to be the watchdog for the people does not mean that I lose my objectivity, my sense of duty to the civil servant who is unfairly criticised. If a complaint is made against a member of the bureaucracy that is not well founded, that is unjust, that is unfair to him, I will not hesitate to make that known.

When I was asked to take on the office, one of the commitments I made was to draw up a blueprint for the office within the first year of its functioning, a blueprint that would describe an operation that was best suited to the needs of the people of Ontario. In order to enable me to accomplish that objective, I concluded that we should first of all conduct a detailed study of the office of Ombudsman, not only in Canada and in the other seven provinces of Canada, but in all the jurisdictions of the world that have them. With that in mind, I solicited the help and assistance of my colleague at the bar Mr. Nils Ortved, whom I see here today. He is supervising, on a consulting basis, the research that we now have underway into the office of Ombudsman. We will actually visit some of the countries that have Ombudsmen in order to see first hand how the operation goes.

In addition, I have started to hold some public hearings — just a few of them in select places around the province. On these occasions, the people in the community will be invited to attend, to come as individuals or as groups, to give me the benefit of their thinking as to how they feel the office of Ombudsman can best function to serve them and their needs and their requirements, having regard to their particular locality in the province. I think the benefit of public opinion, the idea of getting the participation of the public into the operation, cannot help but be beneficial.

The first hearing of this kind took place on Tuesday and Wednesday in North Bay. It was selected as a convenient location for Northern Ontario, and I was extremely gratified by the result. There was a good turnout of people, they were interested, they were enthusiastic, appreciative of the fact that the opportunity had been presented to them to appear. They came forward with a lot of very useful suggestions and ideas. It was apparent to me that there was much thinking in that part of Ontario, that the office of Ombudsman would help them meet some of the difficulties they experienced in the past, of feeling that they were too far removed from the government of Ontario and the bureaucracy and the civil service, that they needed someone to help them get closer to it, to help them get their problems with it communicated more effectively. They felt the office of Ombudsman was going to help them to some extent in that respect. They also expressed the very clear unequivocal opinion that the office should branch out and have some sort of facilities to meet the requirements of the people of Northern Ontario.

Of course, part of the study that I'll make of the office in that first year will be to address myself to the very question of what is needed, if anything, in the way of branch office facilities. Whether we have branch offices or not, one thing is perfectly clear, that it will be my duty to tour the province on a fairly regular basis, so that people to whom Toronto is not accessible will be able to come in their milieu to state their grievances.

The inspection of Ombudsman operations outside Canada has already started. Mr. Ortved and I conducted a two-week whirlwind tour of the United Kingdom, of France, Germany, Israel. In that short period of time we met with fifty Ombudsman officials in those four countries.

It's a remarkable experience to sit face to face with your counterparts in these places, to discuss the problems with them, to see the nature of their office set-up, their filing systems, the nature and expertise of their staff. You can borrow much that is good from them, and you can discard what you feel would not be best suited to your needs. It really sets your mind working as to what is needed to prepare this blueprint I mentioned.

The visit to Israel was particularly enlightening and impressive. They have a very high-class ombudsman operation. The Ombudsman is one of the most respected men in the country, Dr. Nebenzahl, who was very gracious as a host and showed us Israel and the operation of his office in great detail and with great care. He also introduced us, in one of the most honoured occasions I have ever had, to the President of Israel, Ephraim Katzir, a most impressive and humble man who spoke in terms of the greatest possible admiration and respect for Canada and for Canadians, and asked me to communicate that sentiment to any Canadian audience when I had an opportunity to do so.

One of the most remarkable experiences I had in Israel was to go to the shrine that's been erected, Yad Vashem, on the Hill of Remembrance just outside Jerusalem. There you see a museum in which is recorded all the frightful atrocities of Hitler and the Nazis in the 1930's and the 40's. It's a grim experience to tour that place, and to go into the shrine and realize the frightful thing it commemorates. How was it possible that that sort of thing could have happened in our time? I guess that is where I felt I learned what it was all about.

Why do we care about the safeguards we have in Canada? Why are we so vigilant about appeal procedures, about juries, about reasonable doubt and presumptions of innocence? Why are we concerned about having an Ombudsman? I was reminded, as I stood in the shrine, looking at the solemn sight before me, of the words of Martin Niemöller, the great Lutheran clergyman in Germany.

I conclude with his famous words. "First they arrested the Communists, but I was not a Communist, so I did nothing. Then they came for the Social Democrats, but I was not a Social Democrat, so I did nothing. Then they arrested the trade unionists, and I did nothing because I was not one. They came for the Jews, and then the

Catholics. But I was neither a Jew nor a Catholic, and I did nothing. At last, they came and arrested me, and there was no one left to do anything about it."

Our distinguished visitor and speaker was thanked by Mr. R. Bredin Stapells, Q.C., a Past President of The Empire Club of Canada.

NOVEMBER 13, 1975

Canada and the Third World

AN ADDRESS BY Paul Gérin-Lajoie, Q.C., LL.D.,
PRESIDENT,
CANADIAN INTERNATIONAL DEVELOPMENT AGENCY

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Dr. Gérin-Lajoie, ladies and gentlemen: We welcome Dr. Paul Gérin-Lajoie on his return visit to this club, since he appeared on a joint panel with his Ontario counterpart, the Honourable William Davis, in 1965. Dr. Gérin-Lajoie is a man with many talents. I mean that in both its ancient and modern significations! He was born in the Province of Quebec and, having reached the pinnacle of academic achievements in both the classical tradition at the Collège Jean-de-Brébeauf in Montreal and then in law at the University of Montreal, he went to Oxford as a Canadian Rhodes Scholar after World War II and took his D. Phil. degree in social studies with special emphasis on constitutional law.

In this field in the nineteen fifties, he gained for himself an enviable reputation as a scholar, author, professor and legal practitioner and, when the opportunity for public service came, he was endowed, well equipped and eager for the fray.

It will be for historians, and not for us, to assess the true dimensions and impact of the cultural, social, educational and economic reorganization and adjustment that took place in the Province of Quebec during the Lesage administration of the 1960's — a period of social, political and economic change that has been dubbed "la révolution quiète". We know that Paul Gérin-Lajoie played a major role in those events.

He was elected to the National Assembly in 1960 as the Liberal member for Vaudreuil-Soulanges and retained that seat until his resignation in 1969. First as Minister of Youth and later as first minister of the newly-formed Department of Education, having enjoyed unparalleled success in the educational system, he radically transformed its structure in Quebec and in 1964 was appointed Vice-Prime Minister.

Our distinguished guest left Quebec political life to become Vice-Chairman of the Prices and Income Commission of the Government of Canada at Ottawa, presumably accepting the good advice of Tennyson's Northern Farmer who counselled his son, "do not marry money but go where money is".

He was appointed President of the Canadian International Development Agency in November, 1970, the office he now holds. He is a board member of several important organizations active in the field of international development: the Export Development Corporation, the International Development Research Centre, the World Bank, the Inter-American Development Bank and the Caribbean Development Bank.

It is a privilege for me to invite Dr. Gérin-Lajoie to address us on the subject "Canada and the Third World".

DR. GÉRIN-LAJOIE:

Mr. Chairman, members and guests of the Empire Club: when your executive first asked me to speak to The Empire Club of Canada, I approached the idea with some hesitation. For a wise man once counselled speech-makers to put themselves in the shoes of their audience; to build a bridge to the listener who

Paul Gérin-Lajoie, Q.C., LL.D.,
President, Canadian International Development Agency.

lives on an island of his own interests. And one doesn't have to search far today to determine the preoccupations of our business community: the irritations of the national postal strike, and the losses it entails for business small and large; the critical stage of labour-management relations; and first and foremost, the threat of inflation so tenacious it endangers the stability of our entire economy.

You may well ask, why not get on with our "war on inflation" and let the poorer nations of the world sort out their own problems?

The facts are, as you all know, that we cannot isolate ourselves from the realities of today's world. The inflation that plagues us in Canada is a world-wide phenomenon. First, our economy was shaken by sharp price increases in world markets for foodstuffs, petroleum and industrial raw materials, benefiting some Canadian producers but harming others.

Boom became bust in many parts of the industrial world and Canada suffered directly from the recession in other nations, as demand for Canadian products lagged, output fell and unemployment increased.

Granted, the Canadian economy suffered less than those of some other industrial nations. And the sacrifices it has forced upon us are minor compared with the immense impact upon the poorest nations of the world. Nevertheless, the very strength of the Canadian economy helped to create serious problems in our international trade patterns. Imports have continued to outstrip exports. Since November 1975 our trade balance has been in almost continuous deficit.

Canada's interest in fostering a buoyant and growing economy for *all* the world's nations has never been greater; never before, since the end of the Second World War, have our international relationships assumed greater importance; and never before have our relations with the *developing countries* been more vital to our own well-being.

The responsibility and opportunities for the Canadian business community are my concern today.

Tools of Development: International Development

Canada's relationships with developing countries have historically focussed upon "foreign aid" or international development programs, an often-misunderstood dimension of our foreign relations.

Since the first shipment of Canadian food aid to India 25 years ago, Canada's international development program has become an integral part of the fabric of Canadian life. Let us examine, for a moment, the current year's program. The Government of Canada has allocated some $900 million dollars to our development assistance in the current fiscal year. The Canadian International Development Agency, charged with the administration of these programs, spends an additional 2.5 per cent in administrative costs. The program is made up of loans and grants to support international development institutions and to pay for the goods and services poorer nations need and Canada can provide.

CIDA, as a department of government responsible to Parliament through the Secretary of State for External Affairs, is a co-ordinator or broker for Canada's international development program. We help to ensure that the specific needs of developing countries are identified and that the particular resources of Canada, both human and physical, are brought to play, in order to help meet those needs.

The benefits which the Canadian economy derives from our international development program are a consequence, not an objective. Yet, the range of involvement throughout Canada is remarkable.

Of the total budget of some $900 million, about $600 million is spent for the purchase of Canadian goods and services, providing jobs for thousands of Canadians. Almost 1,000 Canadians are working abroad under contract to CIDA, plus many hundreds in firms holding CIDA contracts.

Canadian experts play a significant role in agricultural research and development all over the world. Our doctors, educators, architects, economists, public administrators, managers of private business and other talented Canadians are found in more than seventy countries, sometimes playing a leading role, sometimes a humble role, in economic and social development and training.

In addition to large quantities of food items, some of them processed, large amounts of commodities and a great variety of manufactured goods and equipment flows to developing countries, with CIDA financing. A wide diversity of expert services is supplied by Canadian enterprises: industrial firms from Canada are involved in establishing plants or improving the operation of existing plants in developing countries; Canadian consulting firms are engaged in improving transportation systems and have assumed the central responsibility for building large hydro-electric dams, or setting up power plants using other sources of energy. In all, we have some 2,700 contracts with Canadian firms for supply of manufactured goods and equipment, plus 140 contracts with suppliers of commodities ranging from grain to newsprint to copper and asbestos. CIDA hardly operates in splendid isolation, as some critics would suggest.

Indeed at the present time we have 65 contracts for development assistance activities with federal departments or agencies, 22 with provincial departments or agencies, 50 with universities and 135 with consulting firms. If I may single out one government sector for special praise it is the Canadian Forces. For, over the past few years, our armed services have played a crucially important role in the delivery of emergency relief and other supplies urgently needed by developing countries.

International Development: The Rationale

Clearly, international development programs are good business. Yet few Canadians would disagree with me, I believe, when I say that the first purpose of our program of international development is sheer international justice.

I say without hesitation that we should apply at the international level the principles of distributive justice that we apply within our own nation.

A second justification for international development co-operation is that more than ever it is recognized as an essential component in any concept of international peace and security. In calling for basic structural reforms in the world's economy, through a "New International

Economic Order", the developing countries have recognized the special role of "foreign aid". They urge a continuation and strengthening of aid flows, particularly to the poorest and weakest members of the world community.

Arguments over whether "sharing" is a moral obligation or something rich nations do from selfish interests are making way for a new realization that we have a common interest in maintaining a buoyant world economy and fostering social justice on a global scale. If development co-operation continues to be a moral imperative for the rich, it is more than ever before a political and economic necessity.

International Development: New Concepts

It is against this background that the Government published, on September 2, *A Strategy of International Development Co-operation — 1975-80.* For the first time, the Government has made a comprehensive declaration of our intentions toward the developing countries and established guidelines for future policies and programs.

I will refer briefly to its five basic themes.

1. A continued sharing of wealth through net transfers of resources to the poorest members of the human family.
2. A need for developing nations to count, first and foremost, upon their own resources — the basic principle known as self-reliance.
3. The importance of innovation: a searching for new solutions to the new problems of our age.
4. The establishment of new kinds of relationships between developed and developing nations, based on mutual respect and equal partnerships.
5. And finally, participation in the development process by the greatest possible number of individuals, including, of course, those in the business sector.

In pursuit of these intentions, our development assistance program will develop in significant new ways: we will concentrate assistance increasingly upon the poorest countries and upon major world problems such as agriculture and rural development, basic education, public health and population, shelter and energy; we will favour partners who show a real willingness to mobilize their own resources and we shall seek new forms of co-operation with countries which are reaching the middle-income level.

Our approach entails a much broader concept of development co-operation than we have ever known before. We call it a "multi-dimensional approach" for it involves a commitment to move on a number of fronts to lessen the disparities between developed and developing countries. This will require an examination of Canadian policies, both domestic and international, which have a bearing on the interests of the developing nations, and a willingness to take constructive steps to achieve a more just distribution of world resources.

Trade and Investment: An Engine of Progress

Developing countries recognize the importance of aid flows, particularly for the poorest among them. At the same time, the benefits of trade and investment far outweigh those of aid. We as Canadians know the results of shipping most of a nation's raw materials abroad for processing, with consequent loss of employment and earnings.

Developing countries now are looking forward to much greater industrial development through co-operation with industrialized countries. This desire has been expressed most clearly in a number of international forums. The most recent were the Second General Conference of the United Nations Industrial Development Organization (UNIDO), meeting in Lima in March, 1975, and the recent Seventh Special Session of the United Nations. In both cases, the industrial development of the Third World was specifically pinpointed as one of the seven or eight blocks of major objectives to be considered as part of what is now called a "New International Economic Order".

After the acrimonious debate about multinational corporations during recent years, the call by developing countries for co-operation in industrial development may appear contradictory or cynical. Such is not the case. Developing countries want a new framework of co-operation. They say that the various components of industrial development — capital, know-how, foreign staffing for a period of time, training of nationals abroad — can be provided in full respect of both the concept of government control in developing countries, and a satisfactory financial return to private firms from industrialized countries. Already, some Canadian firms have indicated their interest in participating in such new types of arrangements.

CIDA has had for some years a program of assisting Canadian companies to enter into joint ventures in developing countries. This program has enabled a number of Canadian firms to explore the possibility or feasibility of investing abroad and establishing plants which would serve the interest of host countries, as well as strengthening the position of the Canadian firms in overseas markets.

CIDA, in co-operation with the Department of Industry, Trade and Commerce and other departments of the Canadian Government has, for some months already, given very close attention to the question as to how the Government of Canada can play a larger role of broker, facilitator and bridge-builder between the Canadian industrial sector and Third World countries, in order to help develop the latter's industrial infrastructure. The "turnkey project" formula whereby Canada builds and equips a plant, trains the staff, and then turns the project over to the host countries, is one already being explored.

The Minister of Industry, Trade and Commerce has created a special working unit to further these studies.

There is also a wide diversity of ways through which the Canadian private business community might participate in the supply of various components of industrial development. These include financing, transfer of know-how, management and training, development of market or special arrangements through which some component parts of major equipment might be manufactured in developing countries.

At the moment only 7% of the world's manufacturing capacity is situated in the developing countries. For these nations to become more self-reliant, 25% of global manufacturing capacity should be installed in the developing countries within 25 years. That is the United Nations' official target.

This will not be done by governments of industrialized countries but by private enterprise. Progressive developing countries welcome foreign private involvement as long as it takes place on a mutually beneficial basis. In such countries hundreds of profitable partnerships are based on respect on the part of government for the need of any business to make a satisfactory profit, and on the part of private business for the national development priorities of the host country. Some far-seeing businessmen have already taken advantage of this climate of co-operation and are far ahead of their competitors.

When 25% of the world's manufactured goods come from the Third World 25 years from now, who is going to share in the profits? One way of closing the gap between the rich and the poor is to take from the rich and give to the poor. Another way is to help the poor become more productive and get a fair share of their own labour. There is no doubt about the method you and I prefer.

It has been said time and again that the development of the less favoured nations of this world and international co-operation towards that objective are the most difficult challenges facing us today, calling upon the human capacity for innovation and organization. I cannot stress too much, however, that the challenge does not address itself only to governments either in industrialized parts of the world or the developing countries; it does not address itself only to scholars and to individual experts; it also addresses itself to the private industrial sector.

I am aware of the initiatives taken by some Canadian firms along such lines. I must confess, however, from my contacts in other industrialized countries as well as in the Third World, that Canada does not appear to be in the forefront of industrialized countries already participating in the expansion of the industrial base of Third World countries, particularly those having reached what is commonly called the take-off point.

I have never tried to hide the concept I have of my own role, as President of CIDA, in promoting the interests of developing countries within the framework of Canada's foreign policy. At the same time, however, I try to make the point that international development co-operation should be looked at, in the long term, as a question of mutual interest.

In my view, the interests of private business in a free market economy should not be seen to be in opposition to the interests of developing countries, whether they have a free market or a planned economy. The challenge is to develop new types of arrangement that will match the interests of the parties involved. This is the challenge which I invite the private sector of Canada to take up jointly with CIDA and other interested government departments or agencies, such as the Export Development Corporation.

I have no doubt that the economic vitality of Canada in the coming decades will depend to a significant degree on the prosperity and state of development of the Third World, and on our ability to engage in trade and investment of mutual benefit.

I am pleased to say that CIDA has already started its home work. We are looking forward to acting in closer co-operation with those elements of the private sector interested in taking up the same challenge in the same spirit.

Canada, and in particular our business and industrial community, has much to offer developing nations. We have "know-how"; we have experience; we are sensitive to the problems of private foreign investment and we have built up a tradition of co-operation with developing countries of which we can be proud. For these reasons, we look forward to a future in industrial development co-operation which is bright in promise, diverse in opportunity and rich in potential.

Our distinguished visitor and speaker was thanked on behalf of the audience by Maj. Gen. Bruce J. Legge, Q.C., C.St.J., E.D., C.D., a Past President of The Empire Club of Canada.

NOVEMBER 20, 1975

Leadership in Canada Today

AN ADDRESS BY Miss Flora MacDonald,
MEMBER OF PARLIAMENT FOR KINGSTON AND THE ISLANDS

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Miss MacDonald, Your Grace, ladies and gentlemen: Our distinguished visitor and speaker today, by her own count, has played a part, and on occasion a decisive role, in no less than 38 federal and provincial elections and by-elections, in all ten provinces. You may recall, as history has recorded the event, that when Abbé Siéyes was asked what he did during the French Revolution, he replied "I survived!" There are those of our contemporaries for whom survival is not only a joyous thing; it is nothing short of miraculous. Surely Flora MacDonald must be one of these.

Her friends and supporters inform me that she is now locked into the second most critical political battle of her life — presumably the most critical one to come on the dissolution of the present Parliament. In circumstances such as these it is only fair and just that she be presented in her own words, and in her own way. In any event, one is always loath to apply one's sickle to someone else's harvest!

For these purposes, then, I am pleased to refer to her own remarks on the announcement of her candidature for the leadership of the Progressive Conservative Party of Canada. First of all, she hails from Cape Breton Island where people know who they are and where it's at, as they are wont to remark. In my experience, they leave not the slightest doubt what they stand for and, equally important in my view, what they stand against. Although I would not presume to give advice, I feel bound to say that such candour in politics is not without its risks. But generations have proven the Scottish have a way — they have even imparted it to British Airways: Hey, hey, hey!

It is abundantly clear that our distinguished guest is fully knowledgeable and highly skilled in the art and science of politics and how it really works. I believe, too, that she is not devoid of constructive suggestions as to how it can be made to work better for the good of this country and the Canadian people, for both of which she has a pervasive and passionate concern.

A political commentator has observed recently that if we continue in our present ways at the current rate we will have resolved very soon, in a stroke of genius unique to Canadians, both the problem of an independent Canada and that of our native peoples as well, all in one fell swoop — no one will want to touch this country with a barge pole!

I know that you would prefer to hear about these concerns from the speaker herself. But, as you will observe, she is no pessimist. She is not even a disillusioned pessimist. She is openly and avowedly an optimist. I am pleased to think that she is what can genuinely be styled as a happy warrior and

When she's swinging into action
She's the centre of attraction
For 'tis the tourie on her bonnet
The red tourie on it
The red tourie, tourie - oorie - oorie - a!

It is no new thing, but it is some time, since we have had a MacDonald from Kingston stalking the corridors of power in the seat of the Government of Canada and guiding the political destinies of this nation. I am privileged to present to you Flora MacDonald, Member of Parliament for Kingston and The Islands, and to invite her to address us on "Leadership in Canada Today".

MISS MACDONALD:

The question that I am asked most frequently these days is the natural and obvious one. "Flora, why are you doing this?" Why indeed? Who in her right mind would ask to become responsible for the country in times like these? This is a time when offering oneself for leadership is something like underwriting Evel Knevil's insurance or paying scalpers' prices for an Argo football game.

Every one of you is as aware as I am that we are in one of the worst and most complex periods of economic difficulty in decades. Anyone who can read knows. Anyone who goes shopping or who runs a business knows. Anyone who is trying to get a job in most parts of Canada knows. So does anyone who is trying to hire people.

When an Ontario Hydro issue at an exceedingly attractive yield has difficulty in the New York market, ladies and gentlemen, this country is in trouble.

No wonder we weren't invited to last weekend's economic conference in France — we couldn't even quite match Italy's strike record, try though we might.

So why choose a time like this to put oneself forward for consideration for leadership and thus ultimately for the responsibility of the office of Prime Minister.

The answer, at least for me, is quite straightforward. I am deeply convinced that most of Canada's current problems are the direct result of the calibre and style of leadership of the current federal government. That style

Miss Flora MacDonald,
Member of Parliament
for Kingston
and the Islands.

threatens the stability and security of our lives.

We drift from crisis to crisis, from one patchwork solution to another, with a growing sense of helplessness. We look for direction and are given a meaningless set of options. We look for leadership and get cool theorizing. We look for safe streets and economic security and are told when we don't find them that the fault lies in our own unrealistic expectations.

Governing, as it is practised at the federal level in Canada today, has come to mean no more than making yes or no decisions between alternatives put forward by civil servants or by an alarmingly swollen cadre of private advisers. Our leaders have not involved themselves in identifying emerging problems in time to deal with them before they become crises.

They have not taken the trouble to set a tone in the country, by word and example, which would ensure the development of a general public will to support measures which are necessary. Most disastrously, by isolating themselves, the government has lost that essential sensitivity to the needs and concerns of the people. Thus they are unable either to comprehend the aspirations of Canadians or to guide their expectations and understanding as true leaders should.

Because of its loss of contact with the people of this country, the government has managed to alienate most of the important sectors of the nation. In adopting an adversary approach in virtually all of its dealings with various interest groups, it has closed off avenues of potential understanding with astonishing speed. Moreover, it has had the nerve to make demands on these groups while setting the worst possible example itself. Businesses, for example, are urged to show restraint by a government which has shown utterly irresponsible prodigality in its stewardship of public funds. Unions are urged to show restraint by a government which, through its every deed, demonstrates that it has no idea of the meaning of the word.

I know it shouldn't be this way and that it needn't be this way. I see so clearly the folly of this approach that I am compelled to speak out and to offer an alternative: a different, perhaps more difficult, but in the long run a better approach to government in Canada.

Let me give you some examples of the ways in which we have been disserved by federal leadership.

We all know how a decade ago the provinces were persuaded, some of them with great reluctance, to join in a national health care scheme. The basis of the reluctance was primarily the anticipated future costs of this universal program. The federal government was persuasive and we now have a program that is the cause of both great pride and great expense to Canadians.

Indeed the expense is now much greater than had been predicted by Ottawa, chiefly because utilization rates are high and still increasing. This expense has been worrying governments for some time. Last year a special task force involving the federal and provincial governments was established to use whatever expertise could be brought to bear on the matter of reducing costs. That is the kind of co-operation that I as a taxpayer applaud.

But while that exercise was underway, and without any prior warning or consultation, the federal government brought down a budget announcing that it was putting arbitrary limits on its own contributions to the health care program. It abandoned the task force. The reaction of the provinces was immediate, unanimous, negative, and, in my view, wholly justified. With this single act the government destroyed the process by which some realistic measures might have been found to limit the costs of the program. It didn't do one thing in providing us with either better or cheaper health care. It created a confrontation between the federal government and the provinces whose mandate is every bit as legitimate as Ottawa's. Can any taxpayer expect to come out a winner when he's financing both sides of a war?

We know that this action in the field of health care will have an important and unfortunate effect on negotiations and co-operation in other fields. Certainly the great hope we had some years ago for the dawning of a new age in federal-provincial relations has been dashed on the rock of conflict. This should not have happened.

Now this example upsets me as a politician, because I see the waste of an opportunity for some really effective inter-governmental co-operation. I used it as an example, however, because it is typical of the way I see the relations of the government in Ottawa developing with nearly all sectors of our society.

Businessmen are repeatedly telling me their frustrations in dealing with the federal government. Very few sense that they and their concerns are felt and understood — perhaps only those who operate duty-free shops in Montreal. At a time when above all business needs certainty about the groundrules within which it will be operating, it is faced with unexpected changes, with fiats and regulations, with suspicion and even hostility. If business cannot expand and prosper, neither can Canada.

Labour has fared no better. Over the past few years, organized labour has come to look upon the government as being in opposition to its legitimate ambitions. It has not had the opportunities it wants to influence the development of legislation that will foster a degree of industrial peace in this country, a peace for which we all long. We just can't afford to have so many strikes. Neither can we afford to have the Prime Minister use the unions as a diversion from his own responsibility for our economic woes.

I am not suggesting that the government shouldn't be dogged in the pursuit of its objectives. Nor should it shy away from difficult decisions and unavoidable conflicts. No one enjoys a good fight as much as I do, which may account for the fact that I have fought in 38 different elections and by-elections.

Adversary debate is quite appropriate between political parties in elections and in the House of Commons, but it is a decidedly inappropriate and dangerous way to go about resolving differences and seeking accord. It is a dangerous way to govern.

In my view the prevailing mode of government, the philosophic premise, should be one of seeking agreement based on the co-operation of as many as possible, and certainly of all those who are affected. There is more to good government than just making laws. There is more to making good laws than just the inexorable use of a parliamentary majority.

This leads to another and equally important point.

Effective political leadership connotes the act of leading, of charting a course and gaining support for decisions once taken. It implies a willingness and an ability to prepare the people for the actions, particularly the difficult actions, that must be taken. Here too, the record of the government is just not good enough, not what we as citizens have a right to expect.

Probably the outstanding example of this failure is the introduction of the anti-inflation program. A year and a half ago, the Liberals were successful in persuading the country that price and incomes controls were both unnecessary and bad. By doing this the government succeeded in designating inflation as a problem of only secondary official importance.

Then after a typical pause — and the Liberal style seems to be characterized by lengthy pauses broken by erratic bursts of activity — the Minister of Finance became concerned about inflation and undertook a short series of talks with leaders in various sectors to see if there was a consensus to undertake a program of self-restraint. It is little wonder that his approach didn't work at that time. The government had already said it was against controls. It had also demonstrated in the clearest way that it had no intention of taking action on its own.

It did nothing to curb its own programs and expenditures.

It did nothing to give incentives to business to increase productivity to help keep prices down.

It raised interest rates to the point where new investment became virtually unfeasible and where price increases were inevitable just to finance inventories.

It ran up an unprecedented deficit.

It increased its own and its civil service salaries and expanded the size of the civil service itself.

It defended rising food prices.

It raised the price of oil and gasoline and put a new tax on them.

It made a mess of its own labour relations, and, by both action and example, created out of the whole collective bargaining system in Canada a chaotic situation unparalleled in our history.

The search for consensus was quickly abandoned. And more time went by.

Then suddenly, out of the blue, a program was introduced that promised control for some and relative immunity for others. What a way to mobilize national support for one of the most important pieces of peacetime legislation in our history. Whether the government will be able to accomplish its objectives after that sort of preparation, only time will tell. But if it fails, the reasons are not difficult to find.

There had been no political preparation for this announcement, no attempt to gain public support for what the government had previously and quite recently told the people was bad and unnecessary. There was no leadership by example, no application of the kind of restraint that was now being urged on the country. There was only the federal presence we've come to expect at certain crisis points in our life as a nation: the glittery-eyed television performer, balefully staring down the opposition, stonily deaf to the unanswered questions, coldly imposing his will on the people.

I, as a Canadian, have a right to expect more from my government. I have a right to expect some leadership, some example. It is just not good enough to be dictated to by people who are there to serve me, particularly when their actions belie their own commitment to their words. This, I call a failure of leadership.

The introduction of the anti-inflation program is by no means an isolated example, though it is perhaps the most topical. There's a depressingly large number of programs that have the unfortunate result of eroding confidence in government and in some instances in individual initiative and dignity.

Does anyone doubt that the current unemployment insurance regulations have had an eroding effect on the incentive to work and the endangered virtue of self-reliance? It is now possible to parlay eight weeks work at $185 per week into a return of $172 for each day's employment. Is this the Canada we want?

Programs of the Department of Regional Economic Expansion have left a legacy of bureaucratic expenditure, but very little in the way of productive, self-sufficient industry to accomplish what we all seek: a Canada with sound, viable, regional economies based on the natural and human resources of each area.

Social questions such as abortion have been incredibly mishandled, with no leadership of public attitudes and no preparation for changes in the law.

The results of these and many more errors is that we now have a country that is deeply divided and distrustful of the one institution which more than any other should be a unifying force — the federal government. The provinces, labour, business, special interest groups and all citizens, whether represented by groups or not, have deep and justified grievances about the way in which they have been dealt with by the federal government.

This isn't good enough for me or for you.

Let's get some real leadership:

—leadership that can stop strikes in the public sector

—leadership that can deliver the goods — even the mail

—leadership with the conviction to restrain itself: to freeze the size of the civil service and its senior salaries; to forego its own upcoming salary increases; to make difficult, perhaps unpopular decisions to cut expensive universal programs

Above all, let's get some leadership that can help get us out of the incredible economic mess our current so-called leaders have led us into.

Perhaps most of all we need leadership that is truly involved with, by and for the people and the country, the kind of leadership that relates to the people of Canada not in the role of master to servant or professor to student, but on a basis of equality, affection and respect. We need to see a leader in Ottawa to whom the voices of the people of Canada come as welcome sounds, not noisy interruptions. We need a leader who has been there — Atlantic to Pacific, south to north — and who has gone out and will continue to go out to meet the people of Canada in a spirit of joyful anticipation, not as a boring duty.

I've probably travelled more than the Prime Minister throughout Canada — although maybe not in such a lavish style — and from my own experience, I can tell you that there is a mighty, swelling discontent among our people at being made to feel that their ordinariness disqualifies them for participation in the decision-making process of a modern democracy.

I share their discontent. We've had the leadership of philosophers and technocrats. It has failed. The time has come to acknowledge that the extraordinary energies and aspirations of ordinary Canadians, given impetus, guidance and direction by dedicated, committed leadership, leadership that draws its strength directly from the people, these are the keys to the future security and prosperity of this nation.

Our distinguished visitor and speaker was thanked on behalf of the audience by Mr. John A. MacNaughton, National Secretary of the Progressive Conservative Association of Canada, and a Director of The Empire Club of Canada.

NOVEMBER 27, 1975

The CN Tower

AN ADDRESS BY Malachy Grant,
DIRECTOR OF DESIGN AND CONSTRUCTION, CN TOWER

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Mr. Grant, ladies and gentlemen: We bid you welcome to this meeting of The Empire Club of Canada.

We are holding this luncheon meeting in the Imperial Room not through choice but because this was the only accommodation available to us, the Royal York having committed all other space to their convention clientele. Your executive held the view that it would be preferable to accept this accommodation rather than to cancel the meeting or to go elsewhere. We hope that you will bear with us. May I say, as well, that we all have terms of reference within which we must operate, and one of these for the management of the Royal York is that they are requested to show a profit on their operations. We have reason to be grateful for their splendid assistance and co-operation on other occasions.

Our distinguished guest today is Malachy Grant, Director of Design and Construction of CN Tower Limited. I hope he will forgive me, but I am intrigued with his given name and this has driven me in my researches to the New Westminster Dictionary of the Bible. There I find the doubt expressed whether Malachi was really the proper name of the Old Testament prophet or whether it was descriptive of one of the other prophets. The name Malachi meant in Hebrew "my messenger or messenger of Yahweh".

In any event, it is a fact that the biblical Malachi wrote the last book in the Old Testament. Mr. Grant is here today to give us a description of the last word on free standing structures and for that purpose he is the messenger of CN Tower Limited.

He is an Irishman, having been born in Newry, County Down, and educated at St. Mary's College, Dundalk and the Bolton Institute of Technology in Dublin.

Before coming to Toronto, he ran his own consulting company in Montreal, specializing in project construction and management. In those lines of endeavour he was involved in the planning and construction of Habitat, the La Ronde amusement area and many other major elements in Expo '67, by which this country and its technicians gained a justifiable international reputation for excellence.

In Toronto, he served as Manager of Design and Construction for Metro Centre Developments Limited from 1969-72 before applying his energies and talents to similar tasks on the CN Tower.

Whether as a mammoth harbour light guiding the homeward steps of her native sons, or as an intricate and advanced communications link bringing the world community to our doorstep, it stands now and for generations to come as a symbol at the very heart of a vital and throbbing major world community.

We welcome Mr. Grant here today to tell us more about it and I am happy to invite him to address you.

MR. GRANT:

Mr. Chairman, ladies and gentlemen: first, may I thank you for giving me the opportunity to address you. My subject, the CN Tower, makes it a very pleasant task.

Malachy Grant,
Director of Design
and Construction,
CN Tower.

Over six years of effort have gone into the exercise of producing what you see today as the most prominent feature on the northern shore of Lake Ontario.

Since time is limited in this luncheon and even a limited presentation on the CN Tower would likely take more than one hour, perhaps you will bear with me if I limit myself to certain aspects of the project. I feel sure that some people here have probably already attended a presentation on the CN Tower, or heard or read about it in fair detail in the news media. I will try to be brief on the items covered most adequately by the news media, and perhaps give you an insight into the people and events which made it all possible.

In 1968, I was approached by "Bud" Andrews, the then President of the Metro Centre Developments

Group, to head up a design and construction team to convert an artist's concept into the reality of the present structure.

It would be remiss if I did not make mention here of some of the early participants involved. Howard Hilliard of the CBC was one of the originators of the tower idea. I believe that it takes men of courage and foresight to advocate and finally make the big decision to proceed with what could have been a controversial project. The executive of CN, Mr. Norman MacMillan, the past Chairman, and Dr. Robert Bandeen, the President, were responsible for the decision which permitted us to proceed.

As one can imagine, the design team of the CN Tower encompasses a very wide range of disciplines and a large number of consultants. They range through architects, structural, mechanical and electrical engineers, psychologists, soil investigation engineers, ornothologists, vibration engineers, lightning consultants, hoisting consultants, material testing consultants and so on. The principal consultants were: Webb, Zerafa, Menkes, Housden, and John Andrews, Architects; Roger Nicolet & Associates, Structural Engineers; Ellard-Willson & Associates, Mechanical and Electrical Consultants; Gordon Elder, Transmission Consultant. We also had as a consultant a very prominent member of the Empire Club, Bud Hoffman, because of his experience in the construction and operations in the Skylon Tower. He advised us on crowd control and operations.

The principle and active members of the design and construction team are seated here in front of the head table: Ned (Edward) Baldwin, Architect; Roger Nicolet, Structural Engineer; Franz Knoll, Structural Designer; Frank Tam, Structural Site Engineer; Jules Petrinec, Mechanical Engineer; Jim Armstrong, Electrical Engineer; André Jordan and Jack Whyte of Foundation Company of Canada, who were responsible for the construction. Together with these men we worked not in the luxury of a downtown office building, but in the mud and dust of the construction site, where we figured out the detail and solved the problems to accomplish the feat of making the CN Tower a reality.

Visits to other towers dictated that there were certain aspects to which we should pay particular attention in the CN Tower.

The juncture of the massive structure to the ground line would be a design problem. We incorporated a reflecting pool which gracefully solved the problem. We wanted to avoid a clutter of buildings at the base of the tower. All service entrances to the tower are underground and service buildings, loading docks, and so on are located at a distance.

Most towers provide an elevator ride, a view, and a ride back down again. We resolved to make the tower visit an exciting and memorable one, so that the public would not feel they were being ripped off. We have built in many attractions and added features for the entertainment of the visitors.

As you are probably aware, the budget which was originally just under $30 million has now increased to over $50 million. A good part of that increase was the result of increased facilities, such as an extra floor in the sky pod level and the observation deck known as the "Space Deck" at the 1500 foot level, and the doubling of the facilities around the base of the tower. Also, an appreciable amount of money had to be spent on bridges and roads because of the shelving of the Metro Centre Project. Of course, inflation didn't help.

On the other hand, the CN Tower has carried out a truly remarkable marketing program under CN Tower General Manager, Eldon Dolphin, and the projected income has maximised to a degree I did not believe possible two years ago.

My mandate, as defined by CN, was that the tower should be structurally sound, functional, economical and esthetically pleasing with sculptural qualities. I think we have succeeded on all counts, as you will see in the slide presentation which follows.

The original concept of the tower was a three tube structure, connected with concrete bridges every 150 feet in height.

This exciting design had a restaurant designed like a Saturn Ring which was attached to the structure in only three locations. It had the unique feature of being able to view both inside and outside at the restaurant level.

We spent the best part of a year on this design before coming to the conclusion that it was nearly impossible to construct, very difficult to design structurally and the cost would be astronomical. An evaluation of this original three tubed structure resulted in the present graceful profile.

The majority of visitors will arrive at the tower from the north side. A large 700 car parking lot is located just south of the entrance on Front Street.

An attractive, glass-enclosed pedestrian bridge affords access across the present railway tracks into the main lobby of the tower.

Tour buses, taxis and paraplegics arriving at the tower will come from the south, through the extension of John Street, to arrive at a well-appointed plaza just west of the tower entrance.

There is a fast food outlet and a commercial area which occupy a portion of the Entrance Building. In the main lobby, a large multiscreen display will show all of the TV programmes being transmitted by the tower facility and also all those which the tower is capable of receiving. Another glass-enclosed bridge gives access from the Entrance Building, across the reflecting pool to the central lobby area which contains the main tower elevators.

Extensive research and expert psychological advice has resulted in the design of elevators that give a very secure and safe feeling, even to the most nervous passenger.

The ride in the elevators should prove to be a very exciting experience. The elevator shaft is enclosed on its front face by a wide fourteen foot glass window. The front of the elevator cab, the side of the cab and portions of the roof are also transparent. This enables one to look up the elevator shaft to see the other elevator descending towards you.

The elevators will discharge onto a floor of the sky pod which is known as Main Observation Level. In this area we have designed a number of attractions.

One of these is an array of six telescopes. The telescopes are a much superior instrument to any viewing telescope installed in other towers anywhere in the world. We undertook a very elaborate research and development program in order to produce the telescopes. The zoom will produce a 200:1 magnification. If the telescopes were used at night, about half of the moon's surface would fill the telescope viewer.

On the Main Observation Level, we also have incorporated two audio-visual mini-theatres which should prove to be an exciting attraction.

From the Main Observation Level, one can take an elevator to the uppermost observation level, known as the "Space Deck". This top viewing level, which is the highest observation deck in the world, gives an absolutely different appreciation of the view than one gets at the sky pod level.

One appreciates the beauty of Metro Toronto from this high vantage point: the beautiful harbour, lakefront and beaches, and Lake Ontario; the constant activity of automobile traffic, the Island Airport, boating on the lake, air traffic to Malton Airport. The panorama is always active and exciting.

Having examined many of the towers around the world, the design team came to the conclusion that the restaurant patron should be handled separately and this is one of the reasons that the dining floor is the uppermost of the three public floors.

The food facilities will be operated by CN Hotels. They have perfected a highly sophisticated computer-controlled system of handling restaurant patrons, establishing table readiness status and the booking of tables. I am convinced the restaurant design will win many awards and will prove to be a most inviting and comfortable experience.

From the 1500 foot level, the steel antenna mast structure extends to over 1800 feet. The steel mast serves as a support for the antenna elements and the feedlines serving, in the future, up to fourteen FM stations and eight TV stations. This total steel structure, complete with the antenna elements and feedlines, is enclosed by a heavy fibreglass cylinder of various diameters. This is to prevent ice accretion on the antenna elements and the creation of a hazard to downtown Toronto by heavy pieces of falling ice.

With regard to the construction phase of the tower, here are some items of interest which I will cover very briefly.

To form the concrete 1500 foot shaft of the tower, we used what is known as a slipform method. This consists basically of forming a very large mould, jacking it skyward and filling it with steel and concrete and extruding the concrete shape of the tower out of the bottom of the mould. This type of operation had never been attempted before in an area as big as the tower.

It was very complicated as you can imagine with over 30,000 items to be built into the concrete walls. The tower shape centres around a 34 foot hexagon with 90 foot projections or legs and it was difficult to hold them in line, but we succeeded in finishing the tower and the whole structure is within one inch of being absolutely plumb and in a proper alignment from the top of foundation to the top of concrete.

Of the 100,000 tons of concrete used in the tower shaft, not one bad mix of concrete was actually deposited in the forms. No man was killed or injured seriously as a result of the height of the tower.

We inserted 144 groups of heavy cable, each of these groups, which extend in varying heights from 300 feet up to 1500 feet, have had exerted on each of them a tension of up to 350 tons. This helps to give the tower structure the degree of rigidity demanded by the broadcast elements. In a very high wind, say 100 mph, the top of the concrete shaft is likely to move out of the perpendicular only about 18 to 20 inches.

You should not think of the tower as swaying like a pendulum. It merely deflects out of the perpendicular in one direction. The active portion of that 18 inch arc is probably about from 12 inches to 17 inches, so that the movement even in a very high wind is hard to detect in the concrete shaft. Recent tests have shown that the tower performance even surpasses design expectations under wind-loaded conditions.

The tower rests on a foundation which in turn rests on rock. In order to determine the rock's bearing capacity to ensure the integrity of the rock at depths well below the foundation, we drilled test holes, up to 300 feet. In our final phase of soil investigation, we drilled holes 30 inches in diameter 130 feet deep in the rock, and soil investigation engineers from the University of Toronto, Drs. Eli Robinsky and John Morton, actually went into these deep holes and examined, took samples of and photographed the various layers of rock to ensure a positive foundation condition.

Models of the tower had been subjected to testing in wind tunnel facilities at the University of Western Ontario to determine structural requirements and we also learned of one or two unexpected features. It is interesting that the model was required to match the tower in scale not only in height, width and other dimensions but it also was constructed to match the strength and other characteristics of the concrete and steel to be used in the actual construction.

Like every highrise building the tower is occasionally struck by lightning. The tower lightning arrestor system has been called into operation many times and lightning has absolutely no effect.

Without reservations, I say that the CN Tower is the safest, best constructed, best designed, most efficient broadcasting facility, and probably, as I have already mentioned, the most rigid structure in the world.

Since the tower project did not have any predecessors upon which we could base our design approach, and since the construction methods to be used in the erection were very unusual, there were many difficult areas. Each operation was new and presented unique problems, and we had to invent and innovate from the start.

The antenna mast structure, after very deep analysis, was erected using a helicopter. The mast and the joint plates connecting the separate sections were lifted by the helicopter. The two ring elements are actually each ten ton pendulum-like weights used to dampen the tendency of the mast to deflect under high wind-load conditions.

Few people realize that we investigated the possibility of using a giant balloon to fix the antenna mast. Our engineers went to the west coast to watch large balloons bring twenty ton logs down the mountain sides in Oregon. We developed a method to use a balloon, but finally came to the conclusion that balloon technology was not sufficiently advanced and our chances of success were better with a helicopter. In the event that the helicopter solution proved, in practice, to be non-workable, we fabricated the antenna mast in such a fashion that if we were forced to we *could* have reverted to a regular piece by piece installation. It would have cost a great deal more in time and money, but I point this out to indicate to you that while we were innovative we could not afford to be boxed into a corner from which we could not find an alternate solution.

We had many anxious moments during the construction of the tower. One of them was when the cable hoisting system, which we used to bring up the brackets which support the sky pod at 1200 feet, failed when we first tried it. This operation required a 350 ton load, in six separate sections, to be hoisted 1200 feet in the air, simultaneously. The system failed on a trial run, and two tons of wire rope came tumbling down around the base of the tower. It took us a month to recover from this reversal and again it was the ingenuity of the engineering brains associated with the tower which came up with a solution. We tested it and finally used it successfully.

I suppose the most anxious moment, for me personally, was the very first lift of the helicopter operation. We had been over the details of this first lift many times, in which we were to pick off the very long, eighty foot front boom of the crane.

The helicopter only carried about fifty minutes of fuel, because of the fact that the operation was expected to take ten minutes. This was the first introduction of the helicopter to the tower project and it seemed that all Toronto watched the helicopter position itself above the front boom of the crane. It lowered the harness and the harness in turn was attached to the boom. It was planned that the iron workers would, on two sides of the boom, extract the pins which were then holding it together and let go the crane boom so that the helicopter could lower it to the ground.

Many aspects of the helicopter operation were to be determined that day: the effect of wind, the effect of the tower on the surrounding air currents, the up lift from the tower itself. However, when the ironworkers extracted the pins from the south side of the boom, it was found that the harness attaching the boom to the helicopter had not been exactly balanced and when the pins were extracted from the south side, the boom lurched and twisted. When the pins on the north side of the boom were to be extracted it was found that they were twisted and jammed. They could not be taken out in the usual fashion. Torches were brought into position and the slow process of burning out the pins took place.

The public generally were not aware of this fact, but as the minutes ticked by the helicopter was still hovering over the boom. After half an hour I could foresee the necessity, because of the lack of fuel, of the helicopter having to dump the load, the balance of the helicopter operations being cancelled and the whole project being held up for about six months while the antenna was erected in a conventional manner.

What happened, in fact, is history now. The iron workers successfully burned out the twisted pins, the boom swung loose, and the helicopter very slowly and gracefully lowered the boom to the ground.

All of the operations of a difficult nature were carried out successfully and efficiently on the tower project. There were many other instances of concern, frustration, and irritation, but these were far out-weighed by other occasions of satisfaction and of success.

There are many stories concerning the early design days and the final design and construction period which have yet to be told. There are other designers, the workmen on the job-site, and some women all deeply involved in the project whom I have not mentioned. But, for now, I hope I have taken you a little closer and made you a little more aware of that extraordinary and unique project of which we all own a share, the CN Tower.

Our distinguished visitor and speaker was thanked by Mr. Charles C. Hoffman, a Director of The Empire Club of Canada.

DECEMBER 4,
1975

The Indian — Yesterday, Today and Tomorrow

AN ADDRESS BY John Wesley Beaver,
PRESIDENT, CHURCHILL FALLS
(LABRADOR) CORPORATION LIMITED

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Mr. Beaver, Mr. Minister, ladies and gentlemen: Our distinguished visitor and speaker today, John Wesley Beaver, as President and Chief Executive Officer of Churchill Falls (Labrador) Corporation Limited, surely must have more energy than anyone else in the world, and if that makes him an eager beaver — so be it!

The Churchill Falls hydro-electric plant in central Labrador, now completed and fully operative, has an installed capacity of 5,225,000 kilowatts, or 7,000,000 horsepower. Each of its eleven units consists of a 475,000 kilowatt generator driven by a turbine rated at 648,000 horsepower and turning at 200 revolutions per minute under a net head of 1,025 feet.

The Churchill Falls development is owned and operated by the corporation which in turn is owned two-thirds by the Government of Newfoundland and Labrador, and one-third by Hydro-Québec. The development cost $950 million dollars. It was completed ahead of schedule and within its budget and John Beaver runs it and its satellite community to his great credit and to the advantage of us all.

He is an Ojibway Indian, born on the reserve at Alderville, Ontario on Rice Lake. The reserve has existed since 1837 at which time the tribe moved there from Grape Island on the Trent River. He graduated from Queen's University with a Bachelor of Science degree in Electrical Engineering and after graduation served with Ontario Hydro as Line Superintendent at Barrie; Production Manager, Nuclear, at Deep River; and Operations Manager, North East Region, North Bay. In 1972 he was appointed General Manager and Vice President of Churchill Falls Corporation at Churchill Falls. Two years later he became Executive Vice President, and in the same year, President and Chief Executive Officer in Montreal.

He served overseas in World War II with both the RAF and the RCAF.

Our guest served as Chief of his tribe for four years following his graduation from university in 1949. When I talked to him recently on the telephone, I detected a note of pardonable parental pride, when he told me that one of his sons and his daughter are graduate biologists, a second son is with Crum & Forster of Canada Ltd., insurance brokers in Toronto, and the third son is at home. May we all have such ample reason to be proud of our progeny. It was a happy circumstance that he was able to be with his daughter here last evening to celebrate her birthday.

At a recent series of lectures at York University, Walter Currie, a professor at Trent University, said:

> "I would like to speak with you this afternoon as Walter Currie, as a Native Person, as an Ojibway, as an Anishnawbe, as an Indian. I would like to take all the feathers out of my hat

> which talk about being a professor or being on the Human Rights Commission.
>
> "I don't know whether I've had the pleasure of being in a meeting with some of you before, but if I haven't, then I would like to take this opportunity as a Native Person to welcome you to North America."

On your behalf, I extend a warm welcome to John Beaver, a kindly and gentle man, a truly great Canadian, and invite him to address us on "The Indian — Yesterday, Today and Tomorrow".

MR. BEAVER:

Mr. Chairman, ladies and gentlemen: when I was asked some months ago to address the Empire Club, I agreed, recognizing that I would join the growing list of Indians who across Canada have been saying essentially the same thing: that there is something seriously wrong with the whole philosophy of dealing with native peoples given the results that are occurring.

I have talked with many Indian leaders and governmental officials and almost without exception they all agree that the past one hundred years have been for Indians an unmitigated disaster.

It might be useful to review the circumstances, events and conditions that have played a major role in this tragic descent of a once proud race.

The Indians in North America, prior to the coming of the white man, were as varied in their culture and development as all other peoples — from the poor family unit of root-gathering Shoshone in Utah to the sophisticated state of the Aztecs in Mexico whose capital city, with a population of 300,000 in the early 1500's when the Spaniards first arrived, was larger than London.

Almost all Indian technology was related to food, clothing, housing, medicine and travel. It is not then

John Wesley Beaver,
President, Churchill Falls (Labrador) Corporation Limited.

surprising that the commodities Indians had to offer were vital to early European arrivals.

At this time, Indians were cultivating more than six hundred varieties of corn, all the kinds of beans known today (except soy beans which came from China). Indeed, the recipe for "Boston-baked beans" was taught by the Indians to the pilgrim fathers.

A sophisticated use of medicinal herbs had been developed, so much so, that today none has been rediscovered that was not known at that time to local Indians.

The initial contact between Indians and other peoples frequently led to greater immediate material prosperity for the Indian. The Indian was independent socially, politically and economically and tended to accept voluntarily those new "cultural" objects which suited him. Similarly he made his technology available to the newcomers.

The impact of Indian dependence on European tools, weapons, food and clothing was later to have far-reaching effects. Combined with increasing time spent in pursuit of fur and less on his historic pursuits, the pattern of gaining his livelihood began to change greatly. This process continued over many generations, starting in the east and moving westwards.

Other factors had significant impact: one was the spread of European diseases in epidemic form. While the full extent of this is not exactly known, in many documented cases up to 50% of Indian tribes died during outbreaks of smallpox, cholera and other diseases.

Increasingly, the Indians were drawn more deeply into the economy of the whites. They became more dependent upon trade goods of all kinds. In the end, this trend weakened their political autonomy and of course by this time they had become involved in wars and depended upon the Europeans for military aid.

At the same time as the Indian's life was changing in all these fundamental ways, efforts were being made to change his life by religious conversion. This frequently involved the necessity to settle in one place in an agricultural life. In this way, in the mid-seventeenth century, Canada's first reserves were created.

With the creation of reserves and the progressive settlement of the Indians on them, the final phase of the growing Indian dependence was begun. Many decades were involved in this period as the broad sweep of Indian decline moved inexorably from east to west, their status changing from independence to dependence and colonialism.

By the end of the nineteenth century, most Indians lived on reserves. Indians in the territories and certain other parts of Canada technically never were consigned to reserves. Rather arbitrarily, we may consider the Indian Act of 1876 as the start of the Indian colonial period. For the first time Indian dependence was clearly spelled out by legislation.

This colonial period has produced:

- —A race of people 50 to 60% unemployed. As a consequence, 25% of the Indian Affairs budget is for welfare. This is more than twice as much as for economic development which could cure the disease of poverty rather than just masking the effects.
- —94% of Indian students can be considered drop-outs from the formal school system.
- —In some provinces, Indians who make up approximately 10% of the population constitute 60% of the prison population, most crimes related to alcohol.
- —In 1963, the average life expectancy of an Indian male was 33.4 years, a figure as low as it is because of the high death rate of Indian children.

I could go on and on but surely all of these problems are man-made and should not be beyond our ingenuity to solve.

Since the end of the Second World War there has been a sharp upturn in Indian populations. With this increase has come the growth of provincial and federal Indian organizations purporting to speak for Indians generally, and the growth of Indian leaders articulate and capable of using organizational and media techniques.

What they are saying is not something newly created. It has existed all along in the minds and hearts of Indian people.

In general terms it is this: native people have always seen the Europeans as intruders who imposed themselves upon the land as usurpers and who were destroyers of Indian rights and heritage. They, therefore, have the same feelings and views as third world peoples who now are emerging also from colonialism. George Manuel of the National Indian Brotherhood recently wrote a book called *The Fourth World* in which he described this relationship and argued the necessity for coexistence of cultures.

There is a great tendency to continue the principle of Indian integration in which they are treated as just another contributing unit to the cultural mosaic of Canada. There is the feeling that if native people are given enough assistance they can compete as ordinary Canadians within the economic and political framework as it now exists.

The Indians in this country have never accepted this view. Because of their original land rights, they feel they have an equity interest in resource development and a special degree of political autonomy within Canada. Without these two ingredients, no aboriginal people has ever escaped the valley of degradation, poverty and despair that occurs when faced with a technological society.

Traditionally in Canada, the view of the Department of Indian Affairs has been that the Indian must play the Canadian game. Assistance is given only on a gratuitous basis, almost as charity, rather than as a right. Integration has not worked but it is better than the segregation policy which was also tried at various times in Canada as well as in other places in the world. Indians in Canada are coexisting as a separate people. There is very little integration and equality.

Indians feel strongly that they do have a special status under the Canadian constitution, Canadian law and by government policies.

I believe these views must be accepted if a successful relationship is to be established. This acceptance should include returning decision-making processes to Indian organizations to solve their own problems, thus giving them real political and economic clout. These rights were originally recognized by Europeans but more than a century of whittling has reduced them to a figurative sliver.

In many cases, these rights were pared or eliminated by treaties, the spirit of which was not lived up to. In other instances no settlements at all were considered or made. In any event, in completing treaties surely there is an assumption of free consent and equality of the contracting parties. This was rarely the case, as the native people seldom understood the full implications of a treaty. At any rate, the superior power and interests on one side saw to it that a treaty provided the Indians with only enough to prevent active resistance. The Indians were not equipped with enough history to understand the dreadful fate to which they were consigning themselves. A result is that the original treaties were not even designed to prevent or alleviate the tragedy of today which has been spawned by unfolding events. Surely any just government would recognize this and accept that negotiating treaties where none existed before still leaves much unfinished business, business that should not be rejected because it has budgetary implications for the Canadian people.

If the sum total of all treaties ever signed was computed, it would be a mere pittance for the resultant gain of half a continent.

The present day agreements — they are not called treaties as that might imply Indians are a distinct nation in Canada — should not be regarded as just more real estate transactions, but should be instruments calculated to provide permanent economic and political power. Unless today's agreements accomplish this, they will prove to be as inadequate as previous treaties; and Indians themselves must once again share the blame.

I used the term "permanent" in speaking of economic and political strength. Along this line, I believe the following factors should be integral parts of all Indian agreements:

1. The choice of land to be retained should not be made exclusively on the peculiarly Indian preference factors of hunting, fishing and trapping but only after a

complete resource inventory has been done. One only has to look at the location and value of some Indian reserves today to understand the importance of this factor.
2. To provide a contingency for the possible failure of native corporations funded by initial cash settlements, royalties in perpetuity should be incorporated.
3. Settlements in the first place should only be made in the face of economic projects the value of which is known and there should be fair sharing based on this knowledge.
4. Indians must be strongly represented in the evolving municipal and regional governments or they will again become an irrelevant group living on the periphery of a government whose decisions primarily are for the new arrivals.

Native development corporations, which now are being created, can obtain the necessary experience and expertise by becoming equity partners with existing Crown and private corporations. A broad program of financial and corporate training of Indians to fill expanding future roles is necessary.

I would hope these corporations would be sufficiently broadly based to permit business funding and development across the whole country, recognizing that priority will be given to the home region. This will provide a much greater possibility for revenue-producing ventures and will give evidence of the traditional Indian qualities of sharing and giving.

Great care should be taken, on one hand to prevent so many strings being attached to these cash settlement funds that the Indians have only exchanged one paternalistic instrument for another, and on the other hand to ensure that wise, experienced management is followed to minimize risks of failure.

If these funds are used primarily for economic development then, for the first time, economic self-sufficiency is possible. An unsatisfactory possibility, though, would be to use these funds for capital improvement projects which produce no revenue — perhaps for community services normally provided from government revenues. Should this happen, then over the years the funds will be dissipated and the people will be no closer to economic self-sufficiency. Government would not really have made an extraordinary payment at all. It simply would have made a lump sum payment, in advance, for services it was already responsible for providing.

I have indicated political power as being important. What is required is national political representation. There have been many private members of Parliament who have been friends and supporters of the native peoples, but an adequate representation of Indian viewpoints has never existed politically in the House of Commons or administratively in the Department of Indian Affairs. I exclude from these comments the present national and provincial Indian organizations.

Serious consideration should be given to electing an Indian member from each of the provinces and territories. These would be chosen from and elected by all Indian, Eskimo and Métis people. They could be an important link in bridging the increasing gap of mistrust and the lack of communication that has existed for centuries between the government and native peoples. It would alleviate the ever-present problem as to whether any Indian organization properly represents all the Indians they claim they do. With over 2,000 reserves and their associated chiefs and councils, diverse problems and outlooks, historic differences including enmity among tribes, the problem of effective representation, politically and administratively, is a complex and difficult one.

Surely our definition of Canadian citizenship is not so narrow or restrictive as to deny native people the recognition and the institutions so they themselves can find their own long-term solutions.

In speaking of the vision that Indian leaders have for their people, a modern Indian chief has described it in these moving words: "Oh, God! Like the thunderbird of old I shall rise again out of the sea. I shall grab the instruments of the white man's success — his education, his skills — and with these new tools, I shall build my race into the proudest segment of your society. Before I follow the great Chiefs who have gone before us, O Canada, I shall see these things come to pass. I shall see our young braves and our chiefs sitting in the houses of law and government, ruling and being ruled by the knowledge and freedom of our great land. So shall we shatter the barriers of our isolation. So shall the next hundred years be the greatest in the proud history of our tribes and nations."

This vision cannot become a reality without the understanding and support of the Canadian people.

The path will be long and painful. Night comes and the time is short. I hope you will journey and share with us.

On behalf of the audience, our distinguished visitor and speaker was thanked by Mr. John Fisher, O.C., LL.B., LL.D., D.S.S., D.Litt., First Vice President of The Empire Club of Canada.

DECEMBER 11, 1975

The Coming Year: 1976

AN ADDRESS BY The Honourable William G. Davis, Q.C., LL.D.,
PREMIER OF ONTARIO

CHAIRMAN The President
H. Allan Leal, Q.C.

MR. LEAL:

Mr. Premier, Honourable Ministers, ladies and gentlemen: We extend a warm welcome to this meeting of The Empire Club of Canada.

Mr. Premier: I note that on this occasion you have brought your lawyers with you. Perhaps I should have informed you that this was a friendly meeting. Although I am not the best judge of these matters, I am informed by my friends who are, even the non-partisan ones, that you have put together a very strong team, though perhaps somewhat lacking in numbers in the back-up roles. I am also informed that they are all thoroughly conversant with the fact that the game is to be played in accordance with the Marquis of McMurtry rules. With respect, I may say that I agree with the Attorney General in his desire to clean up the game.

I played much of my hockey in the old Trent Valley League and at times the decorum left something to be desired. I hasten to add, however, that there was nothing wrong with the play on the ice, but we did live in mortal fear of the old ladies with the handbags and umbrellas along the boards, particularly in Madoc, who were disposed and able to pummel the visiting players to death.

It is too easily assumed, I think, that the shatter-proof glass barriers were later installed for the protection of the spectators. In the Trent Valley, anyway, that is simply not true; they were for the protection of the players.

I would have thought that it was a work of supererogation to introduce our distinguished visitor and speaker to an Ontario audience. But in view of events last October, there is a substantial body of Ontarians who don't know him, or don't know him well enough. In any event, we are here to praise and not to bury Bill Davis.

He is, of course, a native son of this province, having been born in the Flower City of Brampton — and because of that fact it has been, in the words of the poet, "roses, roses all the way!" Educated in his home town, at the University of Toronto, and in law in the grand manner and in the great tradition at Osgoode Hall Law School, he was called to the Ontario Bar in 1955, a worthy legal son of an illustrious father who as Crown attorney for Peel County and as a Bencher of the Law Society was much admired and affectionately regarded for his competence, humanity and acute sensitivity to justice and fair play in the administration of the criminal law process.

Bill Davis succeeded the Honourable Thomas Kennedy, sometime Premier of Ontario, as the member for Peel riding in June 1959, thus being launched on an outstanding political career. His first cabinet post came in 1962 at the age of 33, when he was appointed Minister of Education, the youngest in the province's history. Those of us who were close to the planning and administrative difficulties in education in the sticky '60s have good reason to know how much we owe to his leadership in maintaining an educational system in this province second to none in the world, even in the post secondary field where as Minister of Colleges and Universities he guided the development of these institutions of which we may be justly proud.

As some recognition of his signal services, he was elected the first chairman of the Council of Ministers of Education for Canada, and has been honoured with no less than four degrees LL.D. *(honoris causa).*

He has served as second vice-chairman of Ontario Hydro in 1961/62 and as such has been tutored in the acute energy problems facing us today.

He became leader of this government in 1971. The true dimensions of the problems of the troubled '70s were not then known, nor are we sure that we can know them even today. There are, however, fundamental qualities of heart and mind which we require in our leaders, politicians and statesmen, to pull us through however intractable or even unperceived these problems may be. Our distinguished guest has these qualities in abundant store and it is a privilege for me to invite the Honourable William G. Davis, Q.C., M.P.P., LL.D., Premier of Ontario and member from Brampton (Bramalea), to address us.

THE HONOURABLE WILLIAM DAVIS:

As we approach the beginning of 1976, I welcome this opportunity of being able to share with you my views as to what the coming year is going to demand of the government I lead, of every person in this audience and of every resident of this province.

Here, at the very outset, I want you to know that despite some serious difficulties that lie ahead, it is my firm belief that if we face up to the realities that the coming year will bring, all of us in Ontario will be the beneficiaries of our own determined efforts.

It is also my belief that if we don't face up to those realities — individually and collectively — then the prosperity that we've come to enjoy and to take for granted could be seriously threatened.

In saying that, obviously I don't intend to sound alarmist. But the challenges of today and tomorrow are staring us in the face even now — and I think it's up to politicians to articulate those challenges and lay the facts

The Honourable William G. Davis, Q.C., LL.D., Premier of Ontario.

on the line for the public to understand.

The role of leadership is always demanding, but there are certain occasions when it's far more demanding than usual. This, in my opinion, is the case at the present time. The ground is shifting under governments all over the world, and many of the tried and true formulae of the past no longer offer the best way out of a difficult situation. Like it or not, responsible governments are going to have to strike out in new and different directions that may be in stark contrast to the routes they've followed in more prosperous times.

This is what the Ontario Government is in the process of doing, and this is what I'd like to tell you about in general terms today. But I want to set this in perspective, and to review briefly for you how far we have come in our present society and what we have managed to accomplish so far.

Over the past twenty-five years, we in Ontario have been carried along on a surging wave of prosperity. Year after year, we have seen our economy expand almost without interruption.

During that golden quarter century of growth, where so much came to be taken for granted by all of us, we evolved into a society that has become the envy of most other jurisdictions, not just in North America, but throughout the world.

We built a toll-free highway system that ranks among the best to be found anywhere. We introduced a hospital insurance plan, and subsequently a medical insurance plan, that remain as comprehensive and as equitable as you'll find anywhere. Faced with the post-war baby boom and unprecedented immigration, we evolved an educational system that met not only the changing needs of an increasingly technological society, but also insured that there would be equality in educational opportunity for every child in this province.

That, through a formula of provincial funding, cost a lot of money. So did the capital expenditure involved in providing the physical plant to accommodate the greatest influx in student population in the history of Ontario — indeed, in the history of Canada.

During that same period, we in Ontario had to look to our municipalities, their needs and the services they were required to provide — because our municipalities are the creatures of the province.

Beginning with the formation of the Municipality of Metropolitan Toronto in the '50s, the form of local government has been changed in various parts of Ontario where population pressures and other changing environmental situations were such that a broad and uniform tax base and co-ordinated planning were necessary to provide services and to avoid financial chaos. (I remind you that no such changes have been implemented, for example, in New York State.)

All of this, along with a multitude of other social and community services, including urban transit, has been accomplished at a price the province, and the taxpayers of the province, could afford to pay.

I stress the role of the "taxpayers" because whenever we speak of the province and its spending, we're talking about the amount that you and I and everyone else in Ontario has taken out of their paycheques and put into the provincial treasury to pay for government expenditures.

In other words, whatever we get we pay for ... either directly or on interest payments the province has to make when it borrows money on our behalf.

Borrowing, of course, is an important part of a government's fiscal policy and the financial institutions from which we borrow, considering that the amounts involved are often considerable, are extremely hard-nosed, which they should be. The interest they charge, and the amount they're prepared to lend us and underwrite, depends on our spending habits and on our economic potential. On the highly sophisticated money markets of Bay Street or Wall Street, I'm happy to say that Ontario still has a Triple-A credit rating, which is the highest you can get and which very few North American jurisdictions share with us.

In order to keep our credit healthy, however, the Ontario Government recently made a commitment to limit its increase in spending in the foreseeable future to 10%.

Why is this limit on the increase in government spending so important to those in the business of lending governments money? Because they, far better than most, know that many governments in times of economic uncertainty try the easy road to self-perpetuation in office. Don't think that politicians aren't interested in staying in office.

As investment falls and unemployment rises in the private sector, extra jobs can only be provided outside industry, and only the government can provide jobs or other forms of assistance where there is no prospect of profit.

Hence governments add to their expenses and necessarily have to raise taxes to pay for them or, as an alternative, add to their debt structure. This, in turn, further puts the crimp on employees' living standards and on a company's after-tax profits. This is something that our friends across the House, the Official Opposition now, do not totally understand. Profits do not only mean dividends; profits are the prime ingredient of the capital we need to do the many things that remain to be done in Canada today. Without that supply of capital, living standards will undoubtedly slip.

In any event, the next step is that employee wage and salary demands begin to bring even more pressure on the declining profits of industry, and industry in turn begins to invest even less. More private sector employees become redundant, and the government tries again to assist them which results in even greater public sector spending.

That traditionally, and in very simple terms, is how the inflationary cycle gains momentum. It has continued to gain momentum in Canada, and it is now complicated by the fact that public service employees in recent years have been bringing enormous pressure to bear on *their public sector* employers for significant wage increases — and the public sector debt continues to grow, albeit up until now, to a manageable limit.

But there is a limit — and so long as I'm Premier of this province the Ontario Government is *not* going to exceed that limit. Some time in the year ahead my government may be faced with an election, and unless the economic climate improves drastically, restraint in government spending will be one issue upon which the people will have to make a choice. I, for one, have every confidence that the people of Ontario will give overwhelming support to the party that stands for responsible government action.

I can assure you, therefore, that my government will not try to spend Ontario's way to some artificial level of prosperity that will haunt future taxpayers — and just so the record is clear, I'll also assure you here and now that no other Ontario Government could do so in good conscience.

The day of promises and easy spending is over. Government, any government, has to hold the line and set an example if confidence is to be restored in the minds of all the elements that make up the economies of western democracies.

In Ontario, we have made some starts. We have put the lid on the growth complement of our public service and frozen the salaries of our top-level civil servants. We are actually in the process of reducing the total numbers even during a period of demand for increased levels of services. And, as I've stated, in the next fiscal year growth in provincial spending is to be restricted to 10%. This means that our increase in spending is going to be less than our increase in revenue. In effect, we as a government have had to make a choice and take a hard look at our priorities, and I think that it is imperative that we as individual citizens do the same thing.

As a government, we're not taking this step so as to deliberately make things tougher on everyone — no government does that. We're doing it because the times demand it. We're doing it to preserve what we have — and what we've got is worth preserving — and to spring ourselves loose as best we can from the suffocating web of inflation that now enmeshes most of the industrialized world.

We want to imbue this mission with a sense of urgency. That is why Ontario supports the principle of the Government of Canada's prices and income program.

That is why, two weeks ago, the Provincial Treasurer, after attending a meeting in Ottawa, urged that the program be put into operation as soon as possible.

We have expressed our intention to enter into an agreement with the federal government for the application of the program to the Ontario public sector. I might also mention that we are supporting the national effort to contain inflation by two additional actions. We are introducing a rent control program in the province, and as I have indicated, we are taking a series of stringent measures to control the rate of government spending in Ontario. When I refer to the rent program I want to make one thing abundantly clear. We do not see it as the long-term solution. We are looking at a program limited to two years. We do not see, as others do, total control of this sector of our economy on a permanent basis.

In many respects, the anti-inflation measures which governments at both the federal and provincial level are taking involve a dramatic departure from the principles of conventional economic policy and the free market society. We have three compelling reasons for doing this.

First, inflation here is worse than it is in the United States and if the pattern of wage and salary settlements and price increases up to October 14 had continued, the gap would have been even wider. The United States is our most important trading partner and customer. If we allow our prices to rise significantly faster than theirs, the eventual result would simply be economic disaster for Canada.

Second, the psychological impact of the inflationary spiral must also be broken. If prices continue to rise at a high rate, everyone, as I mentioned earlier, jumps on the bandwagon — bidding up their wages, fees or prices, and thus accelerating the spiral. We could certainly see evidence of that before October 14 and we can still see it. Perhaps such action is understandable from an individual point of view, but society as a whole cannot tolerate it for long if we are to have any kind of economic stability in this country.

Finally the third point, and this is the one that particularly concerns me as Premier of Canada's largest province — the impact of inflation on government budgets in recent years has been severe and has led to fast rising costs and, as a result, deficits. The trend must be reversed.

The question still remains as to the relationship between the federal government and the provinces in the anti-inflation program. The provinces can sign one of two types of agreements with the federal government. Under one option the provincial public sector — that is our own civil service, schools, municipalities and so on — would come under the direct authority of the Anti-Inflation Board. Under the second option, provinces can establish their own board to administer the *federal* guidelines. I might note that under either option it is the *federal* guidelines which would apply.

Although we have not yet concluded an agreement with the federal government, it is our stated intention to bring our institutions under the authority of the federal Anti-Inflation Board. For this, we have been criticized in the Legislature and elsewhere. It has been argued that we have special relationships with certain groups in this province and therefore they should be reviewed by a provincial board.

We simply cannot accept this argument. If every province were to set up its own board, the result would be an administrative nightmare and the anti-inflation program would be in serious jeopardy. Of course we have special relationships with many groups in this province. In fact, this applies to virtually every profession, trade and business as well as to public employees at the provincial and local level.

But special relationship is *not* the central issue. The issue and the challenge is attacking inflation. This must be done in the most effective and direct manner possible and that is at the national level.

We know that many of the decisions which the Anti-Inflation Board will have to make will be difficult. It must minimize exceptions to the rule. This means that not only will some groups not get what they have demanded, but also, that wage offers by employers in some situations may have to be rolled back.

I am sure the Board has had to do some agonizing over this. There must be strong temptation to say, "Let's allow this one and hope we can be tough on the next one." They have, however, realized that while that approach may solve some problems of disruption, it will not cure inflation.

It has been said, and it is true, that it is rough justice. While everyone must play a part in the battle, the burden inevitably will fall first on certain groups. But however regrettable, this cannot and must not be allowed to scuttle the national effort. If that happens we all lose in the end. If we are firm in our resolve, we all stand to benefit in the long run.

Having said that, I know that when the full extent of the Ontario Government's program of restraint becomes apparent, there are going to be complaints. I have heard them already from around the Cabinet table during the review of each Ministry's budget for the coming fiscal year. I have also already heard from some of those present today — "We agree with restraint, but we really do need our new hospital." Or, "We have an art gallery problem or a university problem." We have to live with the fact that we are going to be saying "no".

Nonetheless, each Minister has come to understand the importance of what we as a Government, and as representatives of you, the taxpayer, are attempting to do in what is going to be a determined and unremitting battle ... but one that we're in an excellent position to win.

In the next month or two, the Treasurer and some of his colleagues will be touring the province. They will be visiting various regions of the province to explain our program of restraint and hopefully enlist public support and co-operation.

At the local level we will be looking to municipal representatives to join with us in this anti-inflationary crusade — because that's what it's going to be — and to provide leadership by example in their own areas or regions. They, too, can expect complaints; they, too, should be expected to bear the added responsibilities of elective office in times such as these.

At the individual level, all of us will have to become more accustomed to looking after our needs, as opposed to our wants. In times of great productivity and affluence, the distinction between our needs and our wants often becomes blurred — but when we're feeling the pinch, I don't think it's too difficult to separate them.

For example, do we need to go to a doctor with every minor ailment? Of course not, but the escalating cost of health services in this province, now running at three billion dollars a year, suggests that far too many of us do. How long do we need to occupy a hospital bed after a minor operation? This is obviously a medical decision, but there is evidence to suggest that a number of doctors, for whatever reason, allow patients to remain in hospital for longer than is necessary. If you multiply this practice sufficient times you can get a very unrealistic picture of the actual hospital bed situation, and a level of cost for hospital operation that is unnecessarily high.

The Ontario Government believes the seat belt legislation, which comes into effect on January 1, will not only save lives, but also money. An estimated $90 million a year is the annual cost in direct OHIP charges alone in providing medical treatment for those injured in auto accidents.

Parallel with the seat belt legislation, there is to be a reduction in the speed limits on provincial freeways and highways. Quite apart from the obvious safety factor, this step should also result in a sizeable saving in our consumption of motor fuels, which in Canada has reached a staggering 3.8 billion annually, and which we can ill afford.

Quite frankly, I don't think Canadians have got the message concerning the importance of energy conservation, to say nothing of economic restraint, as have our neighbours to the south.

From what I read and hear, most Americans have come to realize that "the party's over", at least for the time being, and they're prepared to make sacrifices. Their wage settlements on average are running considerably below the 20 to 80% demands we've become accustomed to hearing in Canada. For the most part they've learned to live with reduced speed limits, because in many states some two years ago the reality of the energy crisis was brought home to them when they were lining up in their cars for hours on end to get a gallon of gas.

On the economic front, we've all become aware of the events in New York City — a sort of *Perils of Pauline* serial, fiscally speaking, that's being played out in Washington, Albany and Gracie Mansion. The whole world is watching that one because of its enormous implications.

Here we have what used to be one of the world's truly great cities continually teetering on the brink of bankruptcy, with public employees being laid off in the thousands because there's no money to pay them. Many of these employees were in what are vitally essential services to any city: sanitation, fire and police protection. Believe me, what could still happen to New York City will become the prototype for every other jurisdiction, big or small, that's been trying to solve today's problems with tomorrow's taxes.

I can assure you that we are not going down that road in Ontario, at least not under my government — because that way leads to disaster, even though people of another political philosophy will probably try to tell you otherwise.

You have probably gathered from my remarks today that the year ahead is going to provide challenges and demand certain sacrifices throughout every sector of our society. It doesn't loom as being an easy year, but by the same token it doesn't need to be an intolerable year.

The provincial government will be asking of the people of Ontario no more than it will be demanding of itself — and in some instances, considerably less. If together over the next twelve months we show the same resolve and cohesion that we and our forebears have shown during other trying times in Canada's history, then the Christmas of 1976 will truly be an occasion for celebration and thanksgiving.

I, for one, am sure that we have the ability and determination to make it so.

Our distinguished visitor and speaker was thanked by Mr. Sydney Hermant, a Past President of The Empire Club of Canada.

DECEMBER 18, 1975

Christmas Luncheon

GUEST OF HONOUR The Honourable Pauline McGibbon, LIEUTENANT GOVERNOR OF ONTARIO

CHAIRMAN The President, H. Allan Leal, Q.C.

MR. LEAL:

Your Honour, ladies and gentlemen: We bid you a warm welcome to the 1975 Family Christmas Party of The Empire Club of Canada. It is probably a fair guess that relatively few in this room can claim allegiance to this city as a birthright, but all of us in our own way, and in our own time, have come to know and appreciate its sights and sounds, particularly at high season and on the great festive occasions, and we cherish it as a throbbing, civilized world metropolis. For over a half century now, it has been traditional with this club to forgather during the Yuletide season to receive, to proclaim and to share in the time-honoured and joyous message of Christmas from David's royal city to this David's city and all who dwell here, "Peace on earth and goodwill towards all men!"

It is, of course, the culminating pleasure that we should meet today in the presence of Her Honour, the Lieutenant Governor of Ontario, Dr. Pauline McGibbon, our highly esteemed and much beloved Honorary Vice-President, and it is a great privilege for me to ask you to recognize her presence and to invite her to bring greetings.

HER HONOUR, THE LIEUTENANT GOVERNOR:

Mr. President, honoured guests, ladies and gentlemen: Thank you for again inviting the representative of Her Majesty the Queen to be with you at your Christmas luncheon. My husband and I enjoyed being here last year, and, as is obvious, we are enjoying ourselves today.

This is a time for special warmth and fellowship. All of us can be touched, even for a short span, by a feeling of affection for all peoples. This luncheon today gives to each of us this opportunity as we meet friends and strangers and exchange greetings.

Thank you for asking the Lieutenant Governor of Ontario and her husband to share this happy occasion.

MR. LEAL:

May I now ask our immediate Past President, Sir Arthur Chetwynd, Bt., to make a presentation to the Lieutenant Governor. *(Presentation of bouquet of roses to Her Honour, the Lieutenant Governor.)*

MR. LEAL:

I would now like to introduce the other guests seated at the head table. *(Introduction in the usual manner.)*

Now that the members have received their copy of the Chetwynd Yearbook for 1974-75, we are able to say to Sir Arthur: well done true and faithful servant. I know not, Sir Arthur, whether at this stage you prefer to recite the Nunc Dimittis or the General Confession, but we do congratulate you on the happy delivery out of all your afflictions. Your steady hand on the tiller is very much missed — it's an ill wind that is *not* a Chetwynd!

On behalf of the Board of Directors and the general membership of The Empire Club of Canada, I present you with this illuminated scroll which is inscribed simply "The Empire Club of Canada acknowledges with grateful

The Honourable Pauline McGibbon, Lieutenant Governor of Ontario (centre), with (left to right) Muriel Leal, H. Allan Leal, Rev. Dr. George Morrison, Mrs. Morrison, and Donald W. McGibbon.

thanks the services of Sir Arthur Chetwynd as President during the year 1974/75." Happily it bears the signature of His Excellency, the Governor General of Canada, the Right Honourable Jules Leger, Honorary President of the club, and it carries with it our affection, respect and great admiration for your outstanding contribution to the club during your term of office.

May I ask our First Vice-President, Dr. John Fisher, to make a presentation to Lady Chetwynd. *(Presentation of bouquet of roses to Lady Chetwynd.)*

SIR ARTHUR CHETWYND:

Mr. President, Your Honour, head table guests, ladies and gentlemen: First of all, on behalf of my wife Marjory, thank you John Fisher so very much for her lovely bouquet of roses. Marjory is indeed my right hand and without her patience, support and guidance I don't function very well.

The Club's Honorary Vice-President, The Honourable Pauline McGibbon, with Pipe Major Ross Stewart.

A year ago, Mr. President, I was in your shoes, performing the same duties and presenting the handsome Empire Club scroll to Past President Bob Armstrong, who is sitting happily out in the audience today.

This scroll is traditionally presented to Immediate Past Presidents at the annual Christmas party following their term of office as a sign that the individual has made the course, mostly intact in body, mind and spirit and with at least some friends remaining, and the knowledge that the Empire Club membership has had the opportunity to see and hear some 28 speakers on a variety of subjects whose words are published on and for the record in the Empire Club Book of Addresses.

On that score, I am pleased to say that *my* yearbook, as it is now known, was completed and delivered some weeks before that of my predecessor Bob Armstrong, and several months faster than another colourful Past President, one Joe Potts.

I know, Mr. President, what you are going through. Take comfort. This Christmas luncheon marks half time, so to speak. You have had a great season so far. After all, how can you lose when your first meeting drew an all-time record of just over 1,600 members and guests to meet Margaret Thatcher, Leader of the British Conservative Party. What a start! This time next year, you will be in my position — relaxed and thankful that your year of service has been successfully completed.

It *is* hard work, but a great honour to be asked to serve as President of this organization. The personal rewards and satisfactions are great. I am deeply indebted to the directors, members — and the speakers! — for putting their trust in me during my term and providing so much friendship, talent and support.

In accepting this scroll I must say that I note that we appear to have dispensed with the usual frame. I am sure members will be encouraged by this effort to save money by your hardworking Treasurer, Ron Goodall!

I am only fooling, of course!

Thank you so much, one and all. It was a challenging and fulfilling experience, as well as an honour and a privilege to have served as the seventy-second President of The Empire Club of Canada.

MR. LEAL:

Your Honour, ladies and gentlemen: For your entertainment and an opportunity to join in the carol singing program, I am delighted to introduce the John Hodgins Singers, accompanied by Daryl Irvine. John Hodgins, their conductor, was for many years organist and choir master at Bishop Strachan School. This choir is composed of the alumnae of that school and we are particularly grateful that they have yielded their lunch hour for our entertainment.

A program of Christmas music was presented by the John Hodgins Singers.

MR. LEAL:

On behalf of all those present, may I extend to Mr. Hodgins, and through him to the members of his choir, our thanks and appreciation for a most pleasant and entertaining choral presentation of the old and the new, the familiar and the lesser known Christmas carols.

The burden of the arrangements for this meeting has fallen upon Mr. George Stafford, a member of our Board, and our administrative assistants, Mrs. Eleanor Cook and Mrs. Rena Wilson. On your behalf, I extend to them our thanks.

Mr. Stanley St. John has performed faithfully and competently as our pianist for a number of years. He is leaving this hall to catch a plane which will carry him off for a holiday in the sun. He takes with him our best wishes for a happy Christmas season and a good holiday.

Pipe Major Ross Stewart is no stranger to this club on this occasion. We are grateful to him for his presence and his performance — Lang may his lum reek!

Finally I am pleased to convey our thanks to the Royal York Hotel through Mr. Gordon Cardy, the General Manager, Mr. A. Horbay, the Catering Manager, and his staff, Mr. Adriano Ferreira and Mr. Carlos de Casta. We wish them all a Merry Christmas and Happy New Year.

Would you stand while we sing one verse of our Canadian Anthem and remain standing please while the Vice-Regal party leaves the hall.

JANUARY 8, 1976

Your Public, Your Policy

AN ADDRESS BY Dr. A.W.R. Carrothers,
PRESIDENT, INSTITUTE FOR RESEARCH ON PUBLIC POLICY

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Ladies and gentlemen: We bid you a cordial welcome to this, the first meeting of The Empire Club of Canada in the New Year.

In a sense, one is intrigued by the fact that only after one hundred years as a nation have we thought it necessary or desirable to establish a facility whose function is to provide a firm, factual and statistical base for public planning and policy in this country. This may be a mark of our maturity or a monument to our former stupidity. Whichever view one takes, the establishment of the Institute for Research on Public Policy is an important event in the history of our national development. The product of its labours will, hopefully, not only provide the informational component for the better solution of our problems, but give us a keener appreciation of what the real problems are. Perhaps we may soon be better able to get on with the task of draining the swamp without worrying so much about the alligators that beset us on all sides.

Instant institutions are like instant coffee — they lack taste and have little body, but they do have an aroma! Our fledgling social structures must be guided and nurtured by patient, devoted and intelligent men who are prepared to expend the time and effort to bring them, in the fullness of time, to that degree of excellence which inspires public confidence and justifies their existence.

It is no surprise, then, that in this context we should have turned to Dr. A.W.R. Carrothers to act as President of the Institute, since he has had uncommon success with the administration of relatively young institutions and wide experience in the public service area. Born in Saskatchewan, and therefore ingrained with an instinct to try anything once, he took his Bachelor of Arts and Bachelor of Laws degrees from the University of British Columbia, his Master of Laws and Doctor of Juridical Science degrees from the Law School of Harvard University, and has been awarded a Doctor of Laws *(honoris causa)* degree from both the University of Saskatchewan and McMaster. Of course, he will have his own preference in that regard, but so do I.

He has served as a professional law teacher at the University of British Columbia and Dalhousie University, as Dean of the Faculty of Law, University of Western Ontario, and as President of the University of Calgary. He is well known, respected and admired for his outstanding work in the field of labour law and labour management relations and public administration generally.

It is a privilege for me to introduce the President of the Institute for Research on Public Policy, and a close personal friend, Dr. A.W.R. Carrothers.

DR. CARROTHERS:

All of us speculate about the future, especially the future of our country and our respective positions in it. The future offers hope and challenge: opportunity to plan and build better than we have before.

Dr. A.W.R. Carrothers,
President,
Institute for Research
on Public Policy.

Yet if we care to look, and we *must* look *and* care, we can see some ominous streaks in the clouds forming on the horizon of Canada's future.

I do not believe we face an apocalyptic future. But the world, and Canada in the world, faces four overarching issues, and Canada's domestic problems must be managed in that context. They are, simply stated, population, food, energy and the environment.

By the year 2000, for instance, how will we have reconciled the demand for productivity, with its consumption of natural resources, with the demand for a protected environment?

Will we, as an energy-producing nation, have accepted conservation, to the point where we can maintain something close to self-sufficiency?

As the keeper of nearly four million square miles in the crowded global village that is the world, could we, and should we, in Canada, also shelter or otherwise support a much larger population than at present? What are the real limitations of our recurring and non-recurring resources, particularly agriculture and the production of protein?

Much of the future may be inevitable. Yet, there is much that is within our control, once we understand the options. The real task is to identify areas of change, to determine how much change is within our control, and to decide what choices we want to make. That is an easy formula to state. Given the fact that things once done seldom can be undone, it is a severe and uncompromising formula to apply.

I am privileged to be the president of a totally new and different type of organization which has been charged with the mission of researching and analyzing public policy issues reaching into the long term — five to 25 years.

In a real sense, the Institute for Research on Public Policy is being asked to illuminate the routes available to Canada's decision-makers in the years ahead. To perform this role, the Institute must be both independent and innovative.

The object of our work, at all times, is to contribute to the quality of decision-making by submitting for public discussion well documented studies that explore the implications of alternative policies.

The Institute itself will not attempt to recommend policy decisions, although the authors of its reports doubtless will. Rather, its mandate calls upon it to improve the *basis* for informed choice and decision by the public of Canada and its elected representatives. The task is to present the options, to let Canadians know what are the choices. That is our primary task.

We are determined that the findings of our research studies must reach the widest possible audience. The Institute was not founded to serve as a think-tank to emit theoretical dissertations reaching only an interested few. Nor was the Institute founded to duplicate the efforts of existing research organizations.

From the beginning, we resolved that our studies must be practical and down-to-earth. Most of all, they must be understandable: we seek clarity in our endeavours. All our studies will revolve around policy choices for Canada's law makers on major issues. Our reports will be circulated widely. They are not going to be shelved.

The Institute is hardly a household word. Perhaps most members of Parliament in Ottawa give the Institute few conscious thoughts, even though it had its origins in Parliament. It grew from a recommendation in the Throne Speech of 1968. The Prime Minister said: "It would be most useful to have available to all governments an institute where long-term research and thinking can be carried out into governmental matters of all kinds. At the present time there is no such facility available in this country."

The level of awareness of the Institute and its broad mandate to serve public policy is probably even lower in the legislatures and assemblies of the ten provinces and the Councils of the two Territories. Yet, the growth of the Institute also depends on their support.

The Institute soon will ask the private sector for financial support, in addition to the assistance from the federal and provincial governments. The private sector is a one-third partner in this national endeavour to establish firmly a Canadian research organization specifically to conduct studies on long-term public policy. The total projected endowment from all sources is $30 million.

We do not claim, for one moment, that the Institute can give insight to all policy options open to the public and its elected representatives for the next twenty-five years. However, we are pleased to note that a growing number of people think the present program is a noble beginning. Ultimately, the success of the Institute will be in proportion to the degree in which we contribute to improving the basis for informed choice.

You may ask, with justification, why is the Institute not better known, if it has formed such an ambitious career plan? The answer is that we have not been attracting attention to ourselves until we could build a record of performance. Let me now give you that record.

The initial research projects centre around the theme of population trends and developments in Canada. The consideration of the population factor is likely to be present in any major issue of Canadian public policy for the next twenty-five years. Undoubtedly, population policy, particularly as it relates to immigration and food supply, will continue as one of the most contentious issues, not only in Canada but in the world, for the rest of this century and well into the next.

Our first study goes well beyond population policy as such. It examines trends and developments and seeks new perceptions. It identifies major changes that may be expected in Canada's population and raises questions of major importance to the well-being of Canadians. The work is being assessed at this moment prior to our issuing the study as a public document. While the basic report on the first project is now in hand, it will not be published until it has a thorough preview by eminent Canadians. It is our intention that interested definable groups be given the opportunity to consider the issues and implications raised by the research. For instance, labour unions, management associations, civil servants and legislators all share an interest in understanding what alternatives confront the country on population policy and other policies which are related to population patterns.

Another project, this on an aging population, is under way. Not long ago, when through a rising birth rate the age of the average Canadian fell to 28 years, we used to hear the warning, don't trust anyone over 30. The average age is now rising and will continue to rise, and the old age dependency group will continue to expand. Instead of the admonition to trust no one over 30, we now hear talk of "grey power". An aging population will have different needs, and it is not too soon to understand what they will be. Therefore our project will study the magnitude of requirements for social services in Canada's older population, with specific emphasis on health, housing and community services, and income security.

A third project, now under way, will study migrations and linguistic groups, with a basis in data on changing fertility rates. Where will Canadian babies be born, where will people move to and why, what will be the mosaic of languages and cultures, and what issues of public policy await us in these emerging patterns of human relationships? The project is scheduled for completion in the spring of 1977.

Another study, this one on communications and transportation policy, is scheduled for completion early in 1976. This project makes a broad examination of transportation and communications in relation to social, economic and constitutional conditions. Its object is to contribute to the search for consensus between federal and provincial levels of government on transportation and telecommunications issues.

Another study is on growth in the public service. It will review the past twenty years' growth and identify the main causes of growth, and will raise issues of policy for public debate. It is scheduled for completion in mid-1977.

Five manuscripts are under review for publication in 1976. One is the study on population trends and developments described earlier. The second is a survey of research in the field of law and public policy in Canada. There are also three shorter manuscripts involving research on active population programs, policy research on the distribution of the Canadian population, and collective bargaining as public policy. The study on transportation and telecommunications should also be reviewed this year.

Much more than all this is planned, and will be undertaken as our resources grow. I should like to tell you about these plans, because they will be receiving increasing attention during 1976.

The first and most important one is a proposed program in the field of trend analysis and forecasting. Those words may sound technical, but they describe a program of great practicality. I said earlier that the Institute is committed to inquiring into issues of public policy relating to significant change in the lives of Canadians over the next five to twenty-five years. It is critical that we have a sound rational approach to identifying those areas in our lives where that kind of change is likely to occur.

The forecasting program is being designed to identify those areas, as best one can peer into the future, through analyzing present trends and through other techniques of future research. One must also look carefully for significant changes in trends, for nothing is more self-deluding than assuming that matters as they are now developing will continue in that direction forever. The future will be full of surprises, and we must try to minimize our surprises as best we can through knowledge and perception and such insights as may be gained from disciplined thought. The product of this work will be put to use in two ways.

First, it must be published, in order that others may consider and debate its meaning for their lives and for the decisions which may be opened to them.

Second, subject areas identified through these efforts should be studied more deeply, either within the Institute or by others who are interested in the work and are competent to perform it. It is not our intention to alarm people with frightening descriptions of pending disasters. But it is our function, and our duty, to inform people of what we can learn through disciplined inquiry. We must examine the kind of public policy decisions which the public needs to think about and express themselves on, and which political leaders need to confront in as informed a way as they can.

Implicit in everything I have been saying is the need for the Institute to have an organized and effective program for carrying the results of its labours to the public of Canada and its leaders. We must serve our mandate of improving the basis for informed choice and decision through research and analysis. We call this our dissemination program, and that too is receiving our close attention in 1976.

In conjunction with this program, we are looking to see whether we can appropriately and effectively serve as an information centre for similar research in other parts of Canada. We must consider whether we can and should offer forecasting services as a professional aid to those who might seek it.

We are also working on the design of two other studies of wide interest and significance. The first is a study of the inter-relationships among federal, provincial and local governments. The theme we are exploring is the "rationalization" of programs. The perspective we propose to take is the point of view of local governments. We do not propose to get bogged down in constitutional issues. We do propose to look at problems and at choices available for managing them.

The next project is a study of the development and implementation of federal/provincial policies in the field of social security. We are not interested in looking at the past for its own sake. But we can learn about the realities of our own political processes in order that they might be used as intelligently as possible. If such an inquiry leads to improving the processes, everyone stands to gain.

Three other areas are before us, but have not been developed to the point where we can claim them as potential projects. The first is in the field of citizen participation in the development and implementation of public policies. The second is in the vast field of law and public policy. And the third is the relationship between the need for development and the need for protection of the environment, with a view to determining how both these human needs can best be served.

Clearly there is much to do of practical significance and importance to all Canadians, and the Institute must use its talents and resources as skillfully as possible.

Our studies are guidelines for future political choice. They are not addressed to day-to-day political issues. In that sense, the Institute is non-political. It is also non-committed, non-secret and non-profit. Its purpose is to improve the means of making public policy decisions.

Governments of course authorize and finance any number of commissions, probes, inquiries and research projects, other than our Institute. These bodies are usually constituted from an atmosphere of current crisis and their reports offer immediate short-term strategies. That is not our role.

University research most often is a product of individual choice. Research in the private sector is generally directed to the needs of a particular enterprise, and the information gained often is of a classified nature. Again, that is not the role of the Institute. Our research is not confidential and the information from these studies is intended for public consumption.

What then, are the criteria used in the selection of research projects by the Institute?

A project must be of broad public interest. It must be in a policy field where significant change is likely to occur or should occur within the next 25 years.

The subject must not be in a field occupied by other research groups, or likely to be so occupied.

There must be a demonstrated, practical need for the research results. The study should be designed to provide for maximum use of the results obtained.

Any project undertaken must be completed within a reasonable period of time and within available resources.

At this stage in the development of the Institute, the base has been firmly placed for what is planned as an enduring fixture in research and analysis of public policy choices for Canada.

The doors of the Institute were opened, appropriately enough, on July 1, 1974. The offices are within view of the University of Montreal. It is our good fortune to have on our governing bodies, the Board of Directors and the Council of Trustees, a representative cross-section of many walks of life. All these viewpoints are most welcome.

They are the views of doctors and lawyers, poets and priests, bankers and activists, writers and editors, public servants and trade union leaders, professors and businessmen. The list includes the former premier of Ontario.

Among the ex-officio council members are the presidents or chairmen of the Association of Universities and Colleges of Canada, the Canada Council, the Institute of Public Administration of Canada, the Medical Research Council, the National Research Council, the Royal Society of Canada, the Science Council of Canada and the Social Science Research Council of Canada.

It was also our good fortune to assemble a core staff of highly qualified professionals with backgrounds in anthropology, computer science, demography, economics, engineering physics, environmental studies, genetics, law, mathematics, physics, political science, sociology and statistics.

We seek always the difficult blend of theory and practice. None of us, even academics, can afford the luxury of talking to ourselves. In the long run, all are looking for practical choices.

But whom will the Institute serve? Will it really be of benefit to the average Canadian, the ubiquitous man on the street? Our mandate is to conduct long-term research and thinking into government matters of all kinds. That is precisely why our work relates to the general public.

The process of legislation and governing is much too serious a business to be left as the sole concern of governments. Nor should decisions on questions of public policy be left as the sole concern of the decision makers. If we live in a participatory democracy, then major policy choices must be aired in the forum of public opinion.

For its part, the Institute will strive to present alternatives, carefully and impartially. The necessity for preserving intellectual freedom is recognized by our supporters from the federal and provincial governments, and the private sector. The endowment fund will allow the Institute to maintain that freedom.

That is why we have widely representative directors and trustees on our governing bodies. That is why we seek to build and maintain a nation-wide, indeed an international, network of contacts into and out of the Institute. That is why we cast our net widely in the recruitment of professional personnel.

In the words of Horace, "He who has begun his task has half done it." Horace added: "Have the courage to be wise." The Institute has begun its task and we now seek the Golden Fleece of wisdom in the national interest.

Our distinguished visitor and speaker was thanked by Major-General Bruce J. Legge, Q.C., C.St.J., E.D., C.D., The Major General Reserves, and a Past President of The Empire Club of Canada.

MR. LEAL:

Ladies and gentlemen, I am all too painfully aware that at this very hour, in Holy Blossom Synagogue, eulogies are being pronounced on the late Nathan Phillips, Q.C., "the mayor of all the people". He enjoyed this club and supported it in every possible way, not least by his frequent attendance. We were pleased to recognize his presence here as recently as December 11, 1975. He was in turn loved and admired by its members. On a personal note, I would add that on that last occasion he was good enough to seek me out after lunch and he said: "Keep doing your homework, son. You're no turkey, you know!" Such was the nature and measurement of his compliments, but one was glad to accept them from him in any form.

In these circumstances, it is difficult not to be sad. But Nate Phillips was a happy warrior, and as such he should be remembered. When the trumpets sound for him on the other side, he will be greeted by his cronies in a manner the like of which will not have been experienced by the heavenly host in a long time.

We extend our deepest sympathy to his widow and family. May their profound sense of loss be assuaged and be more easily borne by the sure knowledge that it is shared with a veritable host of his friends and admirers.

As was said of Sir Christopher Wren, so is it true of him whom we mourn: "*Si monumentum requiris, circumspice!* If it is a monument you seek — look about you!" Look about you, indeed, anywhere in this great city, because all of it has been touched by his guiding hand and lay in his loving care. I would ask that you stand and with me observe a moment of silence in memory of a truly great Canadian, an unexcelled Torontonian and a devoted member of The Empire Club of Canada.

JANUARY 15, 1976

The International Expansion of Banking

AN ADDRESS BY Guido P. Hanselmann,
UNION BANK OF SWITZERLAND

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Ladies and gentlemen: We bid you a warm welcome on this brisk wintry day to The Empire Club of Canada. We also welcome an impressive group of bankers, near bankers and money consumers, to our head table today. I'm not sure that I ever knew the proper collective noun for a group of bankers — at least not one that could be used in polite circles. I thought of a "bevy of bankers" but that has sexist overtones and is therefore entirely unacceptable, at least unacceptable outside the bedrooms of the nation. I hope they will not find it offensive if I refer to them as a "bonanza of bankers". May I confide in you, and I mean them no disrespect, that in our preprandial discussions, I was not a little surprised to find them such a friendly and articulate lot. In my former dealings with bankers, I found them to be somewhat curt, and our discourse demanding a limited vocabulary, usually proceeding on the following lines:

"How much do you want?"
"What can I have?"
"Not much!"

"Could you manage five?"

"Sorry!"

But I am confident that, with the two and a half dollars Canadian I received and Dr. Shulman's book, I will attain my financial goals.

When Tennyson's Northern Farmer counselled his son not to marry for money but to go where money is, it is entirely probable that even at that time he had the Helvetian republic in mind. In any event, we have gone to Switzerland for our visitor and guest speaker today.

Mr. Guido P. Hanselmann was born in Spain, but received his formal education in Switzerland and graduated in business and finance. After a three year trial run with Union Bank of Switzerland in Zurich and Geneva, 1942-45, he spent fourteen years in the international business community and returned to the bank in 1959. He became manager of the Foreign Exchange Department in 1967, Deputy General Manager of the Services Division in 1968, and General Manager with responsibility for the International Division of UBS in 1969. He is here to open a Toronto Branch, UBS Representative (Canada) Ltd.

We welcome him cordially and invite him to address us on "International Expansion of Banking — Expectations and Results".

MR. HANSELMANN:

Mr. Chairman, ladies and gentlemen: Over the last fifteen years, the internationalization of banking has displayed impressive growth. It continues to do so, although obviously at a slower pace.

Buildup of an International Network

The opening shot for this expansion was fired by the large American banks, who also gave the initial impetus. In the early sixties, a number of banks in the United States began to build up their foreign branch office net-

Guido P. Hanselmann, Union Bank of Switzerland.

work. For example, the three biggest banks in the world — the Bank of America, Chase Manhattan Bank and the First National City Bank — alone increased the number of their branch offices abroad from 123 to 460 between 1960 and 1974. Other major American banks, such as Continental Illinois Bank, First National Bank of Chicago, Chemical Bank and Morgan Guaranty Bank also expanded their foreign office network, if not quite so aggressively, and even medium-sized and smaller banks pursued this aim as well.

Your banks have been active in foreign countries for over a century. It was in 1855 that the first agency of a Canadian bank was established in New York. In following years, additional agencies and branches were opened in such major cities as London, Paris, Chicago and San Francisco. As important and distinctive as these long-established ties have been and still are, the present organization of Canada's international banking activities was largely shaped after World War II. Canadian banks have played an increasingly active role in financial centres all over the world, either through branches, agencies, representative offices, subsidiary trust companies, controlled corporations, minority holdings or participations in multi-national banks.

It was primarily the invasion of American banks in the early sixties that prompted the large European banks to react. For instance, the establishment of the EBIC Group (European Banks' International Corporation) may be considered a response to the increased competition offered by U.S. banks in Europe. Interestingly, the EBIC Group soon launched a counter-offense in the United States. It founded the European American Banking Corporation with registered offices in New York. This organization, especially since the takeover of the sound assets of the Franklin National Bank, has attained a prominent position in the New York financial community and has been very successful in its operations.

Similar groups followed EBIC, with some of them including non-European members, for example, Société Financière Européenne. Other groups of this type are Orion, of which the Royal Bank of Canada is a member, the Euro-Partners, the Abecor Group and the Inter-Alpha Group. These groupings have secured positions in the international banking system, but this does not imply that the member banks operate exclusively through the facilities of their partners in the group if they wish to do business in their partners' home countries. The Swiss banks have been reluctant, however, to join such international banking clubs. In fact, the three largest Swiss banks have even agreed among themselves not to participate in any such groups.

In addition to the establishment of branch offices in other countries, mainly by American banks, and the formation of groups of the type I have just mentioned, banking has expanded internationally in other ways as well. Worth special mention in this connection are the multi-bank consortia, which have been very fashionable during the last five to eight years, but which are being regarded again today with somewhat less enthusiasm and greater dispassion.

The concept of the multi-bank consortium sprang from the desire to be present in a certain financial centre or in specific areas of operations where it was impossible to do this alone for lack of financial, staff or organizational capabilities, but where it became feasible in collaboration with associated banking institutions from other countries who pursued similar interests. Typical examples of this type of co-operative venture are the numerous multi-bank consortia with headquarters in London. These are designed to provide their members with access to this most important centre for international money market operations without the individual banks incurring expenses beyond their capacity. Multi-bank consortia headquartered in other financial centres serve similar purposes, as do institutions that were founded to provide financing for specific countries or specific sectors or industries of the economy. As examples, I might cite the European Brazilian Bank or the Banque Internationale pour le Financement de l'Energie Nucléaire.

The expansion of foreign activities over the last fifteen years has also featured the opening of numerous representative offices by internationally operative banks. Representative offices are generally established in places where a branch office or affiliated bank does not appear profitable, but where the business interests of the bank or those of its customers justify a showing of the national colours, so to speak.

Swiss Banks Abroad — Foreign Banks in Switzerland

At this juncture, I would like to comment briefly on the position my country has taken toward this process of expansion and the situation as it exists today in Switzerland.

How are the activities of the Swiss banks, especially of the three big Swiss banks, to be evaluated in light of the trend toward internationalization? It can be noted that marked restraint has been exerted in the opening of branch offices and affiliated banks. The Swiss banks therefore maintain far fewer offices abroad today than do American, British, Japanese or French institutions of similar size.

I might mention that my bank, for example, decided five years ago to establish its own offices only in the most important international centres of finance. We have, in the meantime, been faithful to this policy and, with the network we now have, feel that there is no need at present to expand further.

The Swiss Bank Corporation and the Swiss Credit Bank have apparently been guided by similar considerations and have chosen to follow a similar path. The result is that all three banks maintain offices in London, New York and Tokyo, and there is a certain degree of coexistence in Luxemburg, Panama and Singapore. Some of these banks also maintain branch offices in other cities. Naturally, the assessment of the importance and business potential of individual finance centres can vary. The reluctance of the Swiss banks to establish branches abroad most probably results from realistic evaluations of their own organizational and staffing capacities, as well as concern to maintain their genuine Swiss identity. It is still the intention of the Swiss banks to place the main emphasis on operations in their home country.

On the other hand, the large Swiss banks have made substantial efforts to develop a network of foreign representative offices, which entail relatively modest operating costs. At present, the three big Swiss banks maintain more than fifty representative offices, whose main purpose is to support and advise their own customers on interesting existing and potential markets abroad.

In turn, a growing number of foreign banks have set up offices in Switzerland. The earliest foreign banks were founded by European, particularly French, financial institutions. From 1957 on, the interest in Switzerland shown by foreign banks began to increase markedly and reached its zenith in 1969. Today, about a hundred foreign banks have branch offices or affiliates in Switzerland, not to mention around thirty representative offices. European institutions account for the majority of the offices and American banks for roughly one quarter. Owing to a lack of reciprocity, there are no Canadian branch offices or affiliates in Switzerland, although the Canadian Imperial Bank of Commerce does have a representative office in Zurich.

It is interesting to note the reasons given by foreign banks for selecting to locate in Switzerland. A recent survey showed that the principal considerations were Switzerland's importance as an international centre of finance and the good opportunities for trust operations. Other important reasons cited were monetary stability, engagement in the Euromarket and the financing of trade with the home country, or providing support to industry and customers from the home country. Banking secrecy and fiscal considerations, on the other hand, played no essential role in the selection.

Reasons for Increased Internationalization

The strong trend toward developing foreign business was based only to a limited extent on the free decisions of bank management members. Of greater importance were the increased internationalization of the banks' clientele, the pressure to open up new export markets for industry and the necessity to become better acquainted with relatively unknown countries — factors that made it virtually a must for us bankers to align business policy more closely with foreign operations.

The international expansion of banking business is a direct result of the internationalization of the banks' clientele. The best illustration of this is the interest of many American industrial companies in Europe, Asia and Latin America, as evidenced by the fact that U.S. direct investments abroad rose from about 32 billion dollars in 1960 to more than 100 billion dollars in 1974. The American banks soon realized that it was necessary to provide their services directly to international clients in other countries instead of relying on correspondent banks. Any bank that viewed this development with scepticism at the beginning found itself forced to do the same within a few years in order not to jeopardize its business relations at its New York, Chicago or San Francisco head office.

Although there was a certain time gap, a similar trend developed in Europe. The internationalization of the banking system was encouraged by the concurrent growth in economic ties and interdependence among nations, and above all, by the exceptionally strong expansion of world trade, which within a ten-year span of time had increased fivefold by the end of 1974. The need to expand internationally is also underscored in times of keener competition, as the banks must do everything within their power to provide their customers with new possibilities in foreign markets as well. The proliferation of foreign operations by the leading banks had created the prerequisites for these facilities.

Along with the strengthening of economic relations among nations and the substantial growth in world trade, supra-regional financial markets have also gained in importance over the past few years, for instance, in regard to international money market and underwriting operations. Both sectors of activity are extremely important to

Swiss banks, and interestingly enough to our Canadian banking friends as well.

I would like to cite a few figures to illustrate this: the volume of the Euromoney market rose from 57 billion dollars in 1970 to about 230 billion dollars by mid-1975. In the same period, issues in the amount of approximately 25 billion dollars were placed on the Eurocapital market, with a record being set by the 6.5 billion dollars' worth of issue placements in the first three quarters of 1975 alone.

The Swiss banks participated substantially in both markets. Lacking a well-developed money market in Switzerland, the banks and their clients must invest their surplus funds in other countries, a fact that is expressed in the roughly 45 billion dollars placed abroad on either a fiduciary basis or for the banks' own account at mid-1975.

Thanks to their strong placement capability, the Swiss banks also play a prominent role in international underwriting operations. A sizable percentage of all Euroloans have always been placed with the clients of Swiss banks. Moreover, between 1950 and 1975 the total of notes and bonds placed in Switzerland for foreign account came to some 17 billion dollars. In the past few years, an increasing number of Canadian municipalities and public enterprises have made use of the Swiss capital market to finance investments, especially in the energy sector. In 1975, my bank alone placed seven Swiss franc bond and note issues for Canadian borrowers, equivalent to about 250 million dollars, and participated as manager and co-manager in ten other international placements for a total of 400 million dollars.

Of interest in this connection, and of importance for the internationalization of banking, is the change we have been observing for some time now in the nature of the credit demand.

Whereas in the years of the economic boom in the industrial nations and during the strong growth in world trade, international credit operations were characterized mainly by the credit requirements of private enterprises, for some time now the strong dominance of public and semi-public borrowers has been apparent. Deficit financing within the framework of government spending programs to stimulate the economy, the financing needed to cover the balance of payments deficits of certain industrial nations and most of the developing countries, as well as the immense volume of funds required by the industrial nations for their energy development programs, necessitate amounts of capital of such huge dimensions that they can be raised only through the close collaboration of the large banks at an international level.

The same holds true in regard to the investment of the large balance of payments surpluses of the oil-producing countries, which today are the largest lenders on the Euromarket. In 1975, their surpluses aggregated about 43 billion dollars and will come to about 35 billion dollars in 1976. The oil-producing nations are today the major financiers of the Euromarkets.

Necessity and Risk

The internationalization of banking is a logical and necessary outgrowth of global economic expansion over the past years. There can be no doubt that the expansion of foreign operations has been of great benefit to the banks, but it has also meant that the banks have had to assume the risks and dangers involved. It is up to us to reduce these risks to a minimum by appropriate internal measures and by realistic assessments of possible danger spots. Worth remembering in this connection is the fact that risk-taking is a central and legitimate aspect of our free enterprise system. If nothing is ventured, no economic progress is made. This also holds true for internationally operative banks, whereby the shouldering of a risk is justified from the operational standpoint if management thinks that the opportunities clearly outweigh the dangers.

In my opinion, the greatest threat is not posed by the financial risks possibly connected with a transaction. We are, of course, concerned with the soundness of assets, even that of money market investments at banks, and are forced to keep a constant eye on them, while the maintenance of liquidity in connection with investments abroad exacts special care and caution. But, the most serious threat is that a company may not realize its limitations in time, and thus place excessive demands on its own organizational and personnel resources. As experience unfortunately shows, the lack of an overview and proper control or an unsound balance sheet resulting from expansion fever leads more quickly and radically to problems than an unfortunate business transaction. One of the most essential duties of a company's management is to assess its own capabilities objectively, to be able to say "no" to further growth when operations can no longer be kept safely in hand organizationally or in terms of personnel. An experienced and responsible staff as well as an efficient organizational structure are absolute prerequisites for keeping a close check on all of the risks involved in business. This holds true, of course, not only for operations with other countries but also for business at home.

Not only the simple risks connected with the execution of transactions are to be taken into account. If an order is not carried out properly, a bank can also incur a loss. This is a threat to which every company is constantly subject, but the customer becomes aware of such risks only when an actual breakdown occurs.

The most obvious problem spot is the risk coupled with credits, investments, participations and so forth, with differences between home and abroad being merely a question of degree. In foreign operations, other specific risks are added to the credit risk, such as the currency risk, to name one. Since we have had floating currency rates, such risks have become substantial, as various painful experiences over the last two and a half years have shown only too clearly. Another special hazard connected with operations abroad is the transfer risk, that is, the possibility that the government of a country in which we have assets or investments will no longer allow their transfer upon maturity.

All measures taken to reduce these risks are therefore of cardinal importance. Any large-scale expansion in foreign operations becomes pure adventure if we do not program ourselves, both from the organizational and personnel standpoint, in such a way that consumate orderliness prevails in the selection of business transactions, in the choice of our foreign partners, in the determination of amounts and the monitoring of maturities, in the selection and placing of limits on the amounts of the currency required, in the choice of the right currency for the purpose in mind as well as in the technical execution.

In 1974 especially, the international banks were able to amass considerable experience. All of us have examined our organizational structure and undertaken corrections wherever they seemed indicated. For example, internal controls were tightened greatly on the basis of experience gained; limits for countries and clients were reviewed and in some cases reduced or completely eliminated. This procedure was followed not only in Switzerland but throughout Europe, the United States and Canada as well. The international banking system of 1976 is probably healthier and conforms more to realities than two years ago.

What Does the Future Hold?

Allow me a look into the crystal ball. Undoubtedly, in the coming years the desire, I might even say the need, for international co-operation will continue to grow in view of the scope and complexity of the problems to be solved.

Let me clarify these comments by using your country as an example. We might take the energy sector, and mention the most important projects — the James Bay and Churchill Falls projects, the plans for more nuclear power, the tar sands of Alberta and the Mackenzie natural gas pipeline. This sector alone will require capital expenditures of about 250 billion dollars by 1980, which can be financed only with the help of foreign capital. On the other hand, Canadian know-how, especially in the fields of mining, harbour construction, telecommunications and so on, will be applied in joint ventures with foreign capital in other countries.

This shifting of international capital will be considerably facilitated if a sophisticated international banking system is available. Because the tasks grow in complexity and thus often exceed the capabilities of a single nation, the internationalization of banking operations will make further strides. Only a limited amount of capital is available, however, to meet the demand, which is virtually inexhaustible. To achieve the best balance possible is the task of the international money and capital markets, in which the banks play and will continue to play a significant role.

However, in respect to all of these factors that underscore the need for a truly international banking system, the risks involved must be borne in mind. In addition, the banks must continue to make great efforts to offer new and improved services to their clients.

Finally, the internationally operative banks must do everything in their power to maintain and further develop liberal international trade and capital movements. Only the free growth of the economy will make it possible to find optimum solutions to the global economic problems of today. Freedom of growth also serves as the best foundation for raising living standards in many parts of the world.

Canada, with its considerable need for foreign investment capital and its rich raw material and energy reserves, is predestined to take a greater part in this process at an international level and to play an even more significant role than it has in the past.

Our distinguished visitor and speaker was thanked on behalf of the audience by Mr. Robert L. Armstrong, a Past President of The Empire Club of Canada.

JANUARY 22, 1976

Universities — Some Crises of Misunderstanding

AN ADDRESS BY Dr. Donald A. Chant,
VICE-PRESIDENT AND PROVOST,
UNIVERSITY OF TORONTO

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Ladies and gentlemen: We extend a warm welcome to you all to this meeting of The Empire Club of Canada. We are privileged to have at our head table today representatives of ministries, departments, institutions, associations and groups who collectively bear the heavy responsibilities, share the planning and discharge the tasks of administration of our secondary and post-secondary education system. At the head table, as well, and in the audience, we have worthy representatives of the consumers group.

All of us, I am sure, are aware and have an appreciation of the debt we owe to those in the field of education who pulled us through the traumatic expansionist period of the fifties and sixties, a period of expansion necessitated by burgeoning enrolments at all levels of the system. In such circumstances, it is not the least surprising that mistakes, in one form or another, should have been made. Neither should one cavil at the fact that it should have cost the taxpayer a lot of money. It was Tommy Douglas who said that "a ship that is going somewhere always burns more coal than one that is tied to the dock".

The cost in human resource expenditure was equally impressive. The sheer miracle is that we should have done it at all.

I understand, therefore, the feelings of resentment and no little discouragement felt and expressed by those who now view their present treatment as falling somewhat short of an expression of public gratitude. It has all been said before. "If I had served my God as diligently as I served my King, He would not have given me over in my grey hairs!" They do not deserve to be sent to Coventry. Though they must, like the rest of us, learn and strive to live within the limits of a more restricted resource frame.

To speak to us today on some aspects of this very topic and what the future holds, we have invited Dr. Donald A. Chant, Vice-President and Provost of the University of Toronto. In the best tradition of our universities, Dr. Chant is *not* a professional administrator, but he is a good one.

Dr. Chant is responsible for all academic programs at the University of Toronto. As an academic, he is a zoologist, and was chairman of the Department of Zoology from 1967. He is one of Canada's leading environmentalists. He is a member of the recently formed Canadian Environmental Advisory Council; President of the Canadian Society of Zoologists; and a member of the Ministerial Committee appointed by the Province of Ontario to study the effects of lead in the environment. He has served as Chairman of Pollution Probe, is a director of both the Canadian Arctic Resources Committee and the Canadian Environmental Law Research Foundation, and is on the Fisheries Research Board of Canada.

These offices held and interests indulged do portray the measure of the man.

Dr. Chant, I learn, has a preference for fishing in the waters of Frances Lake in the Yukon. Indeed, his enthusiasm for that old fishing hole outruns even the broad licence normally accorded the addicts of that art.

When asked how large the fish were, he replied nine inches! That's not much of a fish! Between the eyes?

We welcome him warmly and it is a privilege for me to call on our distinguished guest, Dr. Chant, to address you.

DR. CHANT:

Mr. Chairman, ladies and gentlemen: I think it might be useful to start by briefly discussing a current misunderstanding which could well become yet another crisis. I am referring to the recent lengthy strike by high school teachers in Metropolitan Toronto.

Naturally, there is concern regarding the position of the University of Toronto as to admission policies with respect to students affected by the Metro strike and the University's comments regarding the academic problems these students will face next fall.

How our admissions officers will manage the several thousand admission requests that come each year from students in the Toronto high schools will not be decided until further discussions can be held with high school principals and senior staff of the various boards of education. As you can appreciate, this is a very sensitive area, and we at the University of Toronto, and I am certain in this context I can speak for all Ontario universities, do not wish to inflict any unfair hardships on the students.

Our President, Dr. John Evans, has outlined the policy of the University regarding admission of students from Metropolitan Toronto schools affected by the teachers' strike. He has stated:

> The University will take all reasonable action to minimize any disadvantage to students.
>
> The University will accept for consideration whatever marks and other academic information are submitted by the secondary schools.
>
> In the absence of full academic information, applicants still will be considered for admission

Dr. Donald A. Chant,
Vice President and Provost,
University of Toronto.

> and scholarships. Such applicants could find themselves at a competitive disadvantage, however, especially for some of the limited enrolment programs and for scholarships.

The President's final point is, I think, worthy of special emphasis:

> I would expect that once the strike is settled, the high schools and students will make every effort to rectify the deficiencies; otherwise the students may be inadequately prepared, particularly in subjects which are specific pre-requisites for university courses.

I want to caution students and their teachers that gaining admission to university, while a cause for some celebration, may not be the end of their responsibilities.

That many students will be suffering from academic deficiencies is almost unavoidable, and I urge the students, their teachers, and the high schools, to make every effort to remedy this situation prior to the commencement of university classes next September. A student's academic ranking can be predicted with some accuracy on the basis of incomplete or partial work, but an incomplete grasp of specified knowledge is a quite separate problem. Adequate preparation for university-level courses is essential in discipline areas such as the sciences, mathematics, and languages.

It will be difficult, perhaps impossible, for the university either to reduce the scope of its course content because of the strike or to establish a significant program of remedial courses. We lack the financing, the staff, and the facilities to do so. Already many of our teaching staff are working on an extended instructional load and many of our classrooms, especially laboratories, are in use from early morning until 10 or 11 o'clock in the evening. Scheduling compulsory classes on weekends is a step the University of Toronto has long resisted: it would be most unfair to those students who must work part-time in order to defray the considerable expenses incurred in undertaking post-secondary education in Ontario. And it would put an unreasonable burden on our staff.

Put simply, my message is this: the University will do its best to facilitate the admission of the students affected by the strike, but the major responsibility for adequate academic preparation rests with the students and their present teachers.

Now I would like to comment on some of the other problems, or crises, facing our Universities.

Governments, Canadian society as a whole, and to some extent our universities themselves seem to have forgotten some of the true roles of universities as institutions. They have forgotten the original roles of universities: to create new knowledge and understanding, to transmit these things through education, and to act as repositories for them. Governments have pressured our universities to grow, to maintain an open door policy, to increase accessibility, and we have played along with this, seeking the increased budgets that accompanied this pressure, perhaps afraid to challenge such a democratic concept. In response to this, society is coming to look on three or four years of university as the normal polish on the regular educational process and many employers now look upon a Bachelor's degree as a necessary prerequisite for entering the job market. Few young people or their parents would disagree.

These pressures and attitudes have focused great attention on universities as centres of training, and somewhat obscured their roles as centres of learning and of research. It would be wrong to say that our universities are not appreciated, I suppose, but I submit that too often they are appreciated for the wrong reasons. I am not suggesting that training for jobs should *not* be a part of our mandate in universities: I am suggesting that training should not be the dominant theme in our activities, as it is tending to become.

There are abundant signs in Canada today that in fact the dominant image of the university is that of training for jobs, and I will not dwell on this in great detail. One example: recently, when meeting with a group of scientists in Ottawa, a senior cabinet minister strongly expressed the opinion that the only function of our universities is to produce trained manpower (presumably he also included in this trained woman-power), more or less on order. When governments saw the need of additional trained people for the job market, university grants would be increased. When trained personnel were a glut on the market, the financial tap would be turned off. He actually denied the cultural and intellectual values of our universities and stated his belief that research and the creation of new knowledge should be left to government scientists.

An over-emphasis on the training role of our universities inevitably diverts the efforts of staff from education in its true sense, and from scholarship and research — the discovery of new knowledge. Only so much time is available to the university staff member for his or her academic activities. As more and more students come to university, the class sizes inevitably rise, obviously staff members must commit more and more time to meeting this challenge and some other areas of activity must suffer.

Education, as distinct from training, should be a process of opening of minds to new knowledge and ideas, a process of intellectual growth and maturation. I judge it a crisis that education is being forced to give way to the pressures and attitudes that I have described.

We must realize that research, and the new knowledge it generates, are like money in the bank. We can hope to meet and solve the problems of the future only if we are adequately armed with knowledge. Canada's recent record of support for research, running the entire gamut from basic to applied, is disgraceful. No other word will do. We have fallen well behind every other major developed country in the level at which we fund university research, and, indeed, the level at which we support research in government institutions as well. But equally disturbing is the situation I am attempting to describe to you today: the distortions caused by the current over-emphasis on *training* means that less and less time is available in our universities for scholarship and research, for the generation of new knowledge. Not only, then, is research in Canadian universities funded inadequately but the time available actually to do research is being reduced by these pressures. If this situation continues, Canada may soon be bankrupt of new knowledge and thus poorly equipped to meet the future.

The prospects for achieving adequate funding of vital scientific research are becoming, quite frankly, most pessimistic. The vast majority of research funds originate with agencies of the federal government, in particular the National Research Council, the Medical Research Council and the Canada Council. The federal government is currently implementing a significant across-the-board reduction in the budgets of these three agencies. In addition, the Defense Research Board and Atomic Energy of Canada have cancelled all external grants, including grants for research done in universities and by private industry.

At the University of Toronto, the dollar value of grants for our research programs is 5% *less* than the level reached four years ago, and due to inflation the effective purchasing power is only 70% of the 1971-72 level. The federal government's spending freeze will mean a further erosion of purchasing power by 10 to 15%, depending on the level of inflation experienced. The Ministry of State for Science and Technology has acknowledged the need to maintain a strong university capacity in all fields of research endeavour. It is regrettable, therefore, that the government has implemented measures which can have only an additional adverse effect on a situation which the Ministry recognizes as "a net loss of university research capability".

If you will permit a second parochial reference: mention the term "research" in connection with the University of Toronto and you will likely receive the reply, "insulin". Research at the university did not stop, of course, with that great discovery by Drs. Banting and Best in the 1920's. I would like to acquaint you with some more recent discoveries and inventions by members of our staff, about which I suspect there has been little or no publicity.

- A "Trace Gas Analyser", which has wide application in areas ranging from trace-pollutant detection to medical diagnosis; the analyser is used to quickly and accurately detect even minute amounts of toxic substances in a patient's body.

- "Fibre Reinforcing Composites", a type of building material particularly useful for sealing cracks in concrete structures such as road bridges or swimming pools.
- A research team began work in 1965 on an artificial pancreas and today there exists a bedside machine which effectively monitors and controls a diabetic patient's condition; three such machines are in use in Toronto and the invention is widely used in hospitals throughout the world.
- A Lipid Research Study, in which a team of doctors is examining the co-relation between high amounts of fats and cholesterol and cardio-vascular disease in male volunteers between the ages of 35 and 59.
- One project with significant application for those in the community outside the University is an on-going psychiatric study of stress in those who care for the dying, the bereaved, and so on. If the necessary financial resources are available, the researchers hope to launch a study on executive stress. Perhaps they should start with our own administrators in Simcoe Hall!
- Two of the many successful projects undertaken by the Institute of Bio-medical Engineering include utilizing a computer and developing specialized surgical instruments for use in organ transplant operations, and the development of two unique pacemakers to control heartbeat and to straighten the spine.
- The "Laser Beam Image Recorder", an ultra-high precision optical and electronic device which can scan and allow for distortions in high altitude photographs.
- In the field of genetics, members of our staff are taking the lead in studies which seek to direct sensitive genetic discoveries into such useful channels as the

prediction of birth defects pre-natally and more intensive research into tragic genetic diseases such as Mongolism.

- Other recent inventions in the medical care area include an artificial knee joint device, a computer reader for scanning the effectiveness of drugs on germs, and improved materials for patient blood-oxygenating devices.

In the critical field of energy research, our Faculty of Applied Science and Engineering is submitting to both the Ontario and federal governments an 850-page report outlining 22 projects. If approved, these projects would significantly assist both levels of government to develop a diversity of energy resources and thus prevent the excessive dependence on one fuel which made the Arab oil embargo so traumatic for the developed world.

To mention just one individual, Professor Howard Rapson of the Department of Chemical Engineering enjoys an international reputation as a pioneer in the development of both theoretical formulas and practical industrial processes for bleaching in the pulp and paper industry. Dr. Rapson has obtained patents in 30 countries on no less than 33 inventions. In addition to supervising a number of specialized research projects, he manages to maintain a full teaching load of undergraduate and graduate courses.

I could go on at much greater length, but I'm sure you have grasped my essential point — namely that our universities have demonstrated the capability to undertake successfully a wide variety of research projects, and not only theoretical studies, but also vital and critical investigations whose results significantly affect the national interest of this country. We have the human resources, but we lack the financial resources which only private industry and especially governments can provide.

Research is, of course, a continuing process and a second reason why I outlined this all-too-brief list of projects is to give you some indication of the scope of activity which will be drastically cut back or even abandoned if the present federal government funding policies are continued. Researchers cannot rest on yesterday's laurels; they must constantly update, innovate, improve their findings. Without funding sufficient even to match the effects of spiraling inflation, socially important discoveries such as those I have listed simply will not occur. And all of society will suffer.

One of the most perceptive comments on the nature of this crisis in research was made a few weeks ago by a colleague, Professor John Polanyi, one of Canada's most distinguished research chemists (his speciality is laser technology) and a person with considerable experience as a member of several National Research Council grants committees.

"Our neglect of science," Dr. Polanyi wrote in *The Globe and Mail,* "is something that sets us apart from countries with which we might reasonably compare ourselves. In the United States, in France, in Germany, even in beleaguered Britain, the support of basic science has roughly kept pace with inflation. Only in Canada has inflation been used, year after year, as a device for diminishing the nation's investment in this fundamental activity ...

"If we continue on our present course, the scientific understanding and the decisions that stem from it will be defective. For this we must blame our own shortsightedness in permitting the undermining of the nation's basic science effort, with barely a voice raised in public in protest."

In my opinion, the combined effects of the present federal policy will be the curtailment of many important projects and the break-up of skilled research teams which have taken years to assemble and train.

This is nothing less than a national disgrace.

Now, let me turn to another crisis facing the universities. I have a certain preoccupation with environmental matters. Many environmentalists today are deeply concerned with the phenomena of growth and consumption and are developing the concept of the Conserver Society. The acceptance of the idea of limits to growth is spreading quite rapidly through our culture, at least in principle. We are coming to recognize the finite nature of the environment in which we live.

There are finite limits to the non-renewable resources on which we depend so heavily, resources of fossil fuels, minerals, and all the rest. We are even pushing the finite limits of many of our so-called renewable resources: fish stocks are dwindling alarmingly, many of our forests are denuded, and so on. And we have seen that there are finite limits to the capacity of the environment to absorb the waste materials and toxic substances with which we assault it in such incredible amounts. In short, we know that many kinds of growth must be limited in the very near future. We do not yet know how to do this effectively in most cases, and we cannot accurately predict the effects of limiting growth on our own society, let alone the global society. However, one thing at least seems certain: limiting growth will cause many frustrations and resentments. The growth ethos is very strong in the culture of western humanity. It is equated with progress and, without growth, our traditions tell us there can be no progress.

Throughout most of the evolution of western humanity and of its culture, progress has been one of the basic ideals, and faith in perpetual progress has been a dominant force. It is doubtful that such a strong ethos can be abandoned in a single generation or two.

An answer to this problem will be to examine carefully many kinds of growth, identifying those that are malignant and have serious negative effects in the environmental and resource context, and those that are benign and seem to have no detrimental influences. Those that are malignant must be limited but those that are benign should not. In fact, in order to alleviate the frustrations of limitations to growth and to continue to accommodate our equation of growth with progress, we may even wish consciously to hasten growth of benign kinds.

There are a number of kinds of benign growth, even beneficial growth: growth in leisure and recreation, growth in humaneness and tolerance, spiritual growth. And there is intellectual growth, which not only provides knowledge for the solution of future problems, but which has strong inherent values of its own which we can encourage as ends in themselves.

One of the things that deeply concerns me is that much of the excitement of learning and of exposure to new thoughts and ideas seems to be missing in our universities today. Our staff and students are losing the opportunity to experience the thrill of an original thought. Such thoughts are rare at the best of times and they are not nurtured by the situation I have described, the crisis of misunderstanding.

I can remember when I was a graduate student in England twenty years ago, the almost unbearable excitement when I was able to travel to Germany and to meet other scientists who were doing studies similar to mine. I had the opportunity to match ideas with them and to strike sparks against their minds. I was so excited that I was unable to sleep at all for several nights.

I have experienced similar intense intellectual excitement perhaps a dozen times during my career and have seen it frequently in others. I hope that each one of you has had this experience at times during your careers, and frequently. But I wonder, and I am fearful. I do not think this experience is as common as it once was when there was a better balance between training, education, and scholarship in our universities.

Our children should be prepared actively for university study and understand the nature of an education as distinct from a training. They should be schooled not to begrudge but to welcome the challenge of long years of study, the broadening of their minds, the exposure to new and exciting ideas.

This brings me to my final point. I would imagine that many of you have graduated from a university: Toronto, York, Queen's, Western, McGill, wherever. Hopefully, while you were students you derived some benefits from your university, perhaps not to the fullest of your expectations but nonetheless to some significant degree. If this is so, then I believe you must accept an obligation to interpret the university to the people with whom you interact, now and in the future. I believe this is an obligation that extends beyond loyalty to a particular alma mater, and it is a role which can be played effectively even by those of you who have not experienced the benefits, or perhaps the liabilities, of a university education.

Never has there been a time when universities everywhere have stood in greater need of the support and understanding of their graduates and other friends. Through your contacts in business and government, and in society as a whole, you are in a unique position to interpret the values of the university to the outside community. Perhaps the university has failed in the past to tell its story with adequate aggressiveness and pride. But my message today is not about the past. As higher education tackles the problems of the second half of the seventies — and I refer to far more than just the financial problems — our universities are looking anew to the private sector for a variety of resources. We are asking for your help. I believe we have earned your support.

Our distinguished visitor and speaker was thanked by Mr. Duncan Green, Director of Education for the City of Toronto, and a Director of The Empire Club of Canada.

JANUARY 29, 1976

A Canadian Anti-Inflation Program

AN ADDRESS BY John L. Biddell, F.C.A.,
REGIONAL CHAIRMAN FOR ONTARIO,
THE ANTI-INFLATION BOARD

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Ladies and gentlemen: We bid you a cordial welcome to this meeting of The Empire Club of Canada. Our distinguished visitor and guest speaker today is flanked — I do not say outflanked — by a group of prominent people who are as interested in what he is doing as he obviously is in their affairs, a mutual admiration society of a sort!

In the common parlance of industry and commerce, Jack Biddell has acquired a well-deserved reputation as a highly competent and successful trouble-shooter. If one's business affairs need or attract the attention of Jack Biddell, you are in real trouble. Thus, it may be a measure of the magnitude of our national economic woes, as well as some reason to hope for their resolution, when Mr. Biddell is again brought into service.

He was born, educated and practised as a chartered accountant in Toronto. In October last, he was appointed as a member of the Anti-Inflation Board which was set up under the Anti-Inflation Act to contain inflation in Canada. I do not wish to comment upon the Act, since our speaker will play that role, but I note that, rather unusually these days, it does carry a preamble:

> Whereas the Parliament of Canada recognizes that inflation in Canada at current levels is contrary to the interests of all Canadians and that the containment and reduction of inflation has become a matter of serious national concern . . .

Whenever one sees a preamble in those terms, you can assume an attempt to forestall any attack on the legislation on constitutional grounds. That is not to say that such an attack would be successful; it simply means that someone is worried about it.

Mr. Biddell was formerly a partner in the firms of Clarkson, Gordon & Co. and Woods, Gordon & Co., with his major responsibility being that of President of The Clarkson Company Limited where he spent most of his time as a consultant to Canadian businesses which were having financial troubles. Under his direction The Clarkson Company Limited was involved in a number of the most publicized business failures in recent years, such as Atlantic Acceptance, Prudential Finance Corporation, the liquidation of the international financial empire of I.O.S. Limited, and, more recently, Rochdale College, an educational institution of sorts, which John Diefenbaker described as having more suicides than graduates, regrettably a true fact. Mr. Biddell says that for years he had the most interesting job in Canada to which one does not have to be elected. In order to accept the appointment to the Anti-Inflation Board, however, he has resigned from all of his former positions.

He has always taken a keen interest in public affairs and has been actively involved with the Committee for an Independent Canada in promoting Canadian unity and Canadian independence. For many years he has taken an active role in the Board of Trade of Metropolitan

Toronto and the Canadian Institute of Chartered Accountants, primarily in the field of representations to government for improvement in the law as it relates to business. It was in the latter role that I first met him and benefited from his wisdom and experience, as well as feeling the sting of his lash.

It is a privilege for me to call upon Jack Biddell to address us.

MR. BIDDELL:

Mr. Chairman, ladies and gentlemen: Allan Leal and I have been associated on a number of problems over the years, he in his role as the very capable Chairman of the Ontario Law Reform Commission and mine as an occasional rather impatient applicant to his Commission on behalf of some pet project or other. Knowing my propensity for straying into forbidden areas, Allan was quick to point out to me that he expected me to speak to you about the anti-inflation program. Perhaps the only mistake he made was that he was not quite specific enough — he didn't tell me which anti-inflation program I should talk about.

There are of course two distinctly different anti-inflation programs now facing us. There is the one which the Prime Minister announced on October 14th last to which we on the Anti-Inflation Board have been devoting most of our waking hours since that date. Then there is the second program, the one which is only just beginning. That is the one which will have to be put together to get us out of the first one. The one we must devise to get ourselves de-controlled without having inflation take off again like a sky rocket and also get ourselves out in a manner which will provide the measures to handle the vicious inflation-versus-unemployment cycle which forced the government to impose the Anti-Inflation Act on our economy.

Both of these programs are essential to the contain-

John L. Biddell, F.C.A.,
Regional Chairman
for Ontario,
The Anti-Inflation Board.

ment of inflation in Canada. I think the first is much the simpler of the two. This may not appear obvious when one attempts to understand the Regulations which were issued on December 18, but sooner or later I am sure we shall all understand what they mean and how they are to be applied and, unfortunately, we will have to face their tremendous impact on Canadian business.

Our present program was relatively easy to set up since we had the example of the U.K. and U.S. programs to follow. We have not simply copied those programs. Ours is not as rigid on the price control side as the system which was initially introduced in the United States. Neither is it as inflexible as the U.K. system, where the prices and incomes board has very little of the discretionary power granted to the Anti-Inflation Board under the Canadian legislation.

By way of general comment on what I shall refer to as the current anti-inflation program, I might say that while the government introduced the program very reluctantly it was in my opinion introduced in the best manner. Many people have suggested that a program of this type would better have been introduced by way of a complete freeze on compensation and prices for say a 90-day period. In retrospect, I believe that the credibility of the program would have suffered much more extensively if that route had been chosen. There is no possible way that any regulatory body could monitor every price and compensation increase in Canada. Had we attempted a complete freeze there would have been bound to be many departures from the rules, either deliberately or unwittingly, and I believe that the public would have quickly lost faith in the government's ability to control the situation.

We on the Board see a good deal of evidence that for all practical purposes we have had a fairly effective price freeze since October 14th, in any event.

It was obvious that the government was reluctant to institute a program of wage and price controls, particularly when the conventional wisdom in Canada is that such controls do not work. In my opinion this is a misconception, however. The great problem about wage and price controls is not that they don't work. Of course they work. Properly applied they are bound to reduce the rate of inflation. The real problem is that they treat only the symptoms of inflation and do nothing to effect a long-term cure. As long as they are tightly imposed they will reduce the inflationary spiral. It is, however, quite impractical to keep such controls in effect indefinitely and still permit anything like the free enterprise system, as we have come to know it, to continue to operate in a satisfactory manner. Our major problem therefore is to as quickly as possible get on with phase two of the program: finding solutions to the long term containment of inflation on a basis which will also be consistent with satisfactory economic growth, a satisfactory level of employment opportunities and an economic system substantially devoid of government interference in the marketplace.

The current program will, so long as it is in effect, reduce the rate of inflation in Canada. It will be most unsatisfactory to live with for any extended period of time, however, and any attempt to do so will almost certainly destroy much of the framework of our free enterprise economy. In the absence of other measures, there is reason to believe that the moment we abandon the present program, inflation will once again speed up and we shall be back facing recurring bouts of inflation and unemployment, each of them at an ever higher level than before.

The primary responsibility of the Anti-Inflation Board is to administer the present program. Its secondary role is to assist in educating Canadians as to the basic causes of inflation in Canada and to make recommendations to the government for the long term control of them. We are well under way in the first phase and are now gearing up for that most important second phase, determining the causes and proposing solutions.

Just as we cannot possibly carry out the first phase of our mandate without the co-operation and assistance of Canadians generally, neither can we hope to contribute in a material way to phase two without involving all Canadians in the dialogue and debate which the solution to the problem will most certainly require.

In the last few weeks our Prime Minister made two rather controversial speeches on television. Many Canadians took serious exception to some of his remarks on those occasions. For my part, I viewed his comments as nothing more than an attempt, and I believe it was a worthwhile attempt, to lead off in the debate which we must encourage in Canada if we are to find a way out of the economic dilemma which required the imposition of the Anti-Inflation Act.

In virtually every one of my public appearances in recent weeks (and there have been too many of those for my liking), I have told my listeners that we should only keep the present Anti-Inflation Act controls in place for as long as it takes us to find a sensible solution to the problems which made them necessary.

We on the Anti-Inflation Board will of course continue to act collectively in administering the present program and shall certainly present our collective views to government on phase two of our mandate. In our role as educators, however, and in order to encourage the public input which we all must have to the solution of the main problem, we on the Board have agreed that as individuals we must take every opportunity to raise for public discussion any issues which we believe relate to the problem of inflation in Canada. When we do so, as I propose to do today, we shall be putting forward our own views which may well not ultimately be the considered views of the Anti-Inflation Board. The Board's opinion and recommendations will come later.

So in that context, Mr. Chairman, again emphasizing that these are my own views and not those of the Anti-Inflation Board, I should like to put forward a few of the issues which I think warrant public debate in our collective effort to find the solution to the dilemma of ruinous inflation versus ruinous unemployment.

I should like to comment very briefly on six separate issues, all of which in my opinion require public discussion if we are to achieve our overall objective. These are: government spending, Canadian monetary policy, housing, energy, resource policy, labour-management relations.

Now to begin with, I certainly don't pretend to know all the answers to the basic problem of how to contain inflation in Canada in a sensible manner.

I am equally certain, however, that those among us who propose that all that needs to be done is for government to curtail its expenditures, reduce the money supply and cut taxes, don't know all of the answers either.

On the subject of government expenditures, people have been complaining about government spending since we all came out of the log cabin era and set up government departments to do things we want done but don't want to do for ourselves. Let me first suggest the obvious. If we want major cuts in government spending we are either going to have to support or have alternative employment available for a lot of present government employees. I agree that we should put restraints on salary increases at the higher levels of the civil service but basically I wonder if we are not wasting our breath in the manner in which we complain to our politicians about the number of people on government payrolls.

The private sector measures the success of its own employees by their contribution to productivity and profits. We may as well recognize that much of what we ask government to do cannot be measured by those yardsticks. That is not to say that if we put our minds to it we couldn't create a compensation plan for many groups of civil servants which could go a long way to encourage them to restrict the growth in their own numbers. I suggest, however, that we must first develop a much better set of employee incentives and much better labour-management co-operation in the private sector before we can expect to impose it on the government service.

As to monetary policy, I am not going to get into the debate as to whether increasing the money supply causes inflation or whether when inflation is upon us it is necessary to increase the money supply to prevent too many businesses going bankrupt. Conventional economic wisdom notwithstanding, I believe that there are arguments on both sides.

One area of fiscal and monetary policy in Canada which I suggest we should look very hard at right now, however, is the continuing policy of the Bank of Canada of maintaining Canadian interest rates at a much higher level than those in the U.S., and in doing so maintaining the exchange value of the Canadian dollar at its present level.

In my opinion, the single most important thing the government could do to contain inflation on a long-term basis in Canada, and to assist in avoiding the vicious cycle of inflation following recession, would be to lower interest rates.

If we look at the potential effect of lower interest rates on:

1. The carrying cost to Canadians of $18 billion of consumer debt;
2. The cost of servicing mortgages on the new housing construction we badly need and hopefully are planning in Canada;
3. The ability of our business enterprises to raise new equity, and
4. The lowering of the servicing costs on new debt issues by all levels of government;

it seems difficult indeed to justify our central bank's insistence on keeping interest rates at their present level.

We all know that over the next few years we face a tremendous requirement for additional capital in every area of our economic affairs in Canada. For that matter so do most other countries, including the U.S., where we traditionally raise most of our foreign loans. For us to get into a bidding match with U.S. municipalities and U.S. corporations for money which is becoming scarcer all the time just doesn't seem to make sense. Obviously, if we are not prepared to pay the price to attract foreign capital we won't get much of it. If we can't borrow what we need abroad, however, we could do two things.

First, encourage Canadians to keep their investment funds in Canada by imposing a special tax on interest and dividends received from new foreign investments. The U.S. imposed such a tax when it had a balance of payment problem a few years ago.

Secondly (and if this doesn't get me impeached I guess nothing else will), if we can't borrow all of the funds we need from abroad to finance expenditures, *which we are going to make in Canada in any event,* and I stress this, then we probably should at least look at the advisability of the Bank of Canada itself financing some of those expenditures simply by creating the money.

Now all I ask of our economists and our financial writers who think *that* comment is sufficiently important to be shot down, is that when they do so they explain why the creation by the Bank of Canada of new money to finance expenditures we have irrevocably decided to make in Canada is much more inflationary than borrowing the same amount of money abroad to finance the same expenditures. If we are concerned about the inflationary effect by all means let us look at what we propose to spend the money on and whether or not we should spend it. Once we have decided we *are* going to spend that money here in Canada, however, I suggest that so far as its inflationary effect is concerned, it doesn't matter very greatly whether we get the money by borrowing it abroad or whether the Bank of Canada creates it and loans it on the same repayment terms.

I agree that if we curtail our foreign borrowing, the exchange value of the Canadian dollar will decline. This could have some inflationary effect by making it cheaper for other Canadian borrowers to obtain foreign funds to finance expenditures in Canada which they might otherwise have deferred. But even if there appeared to be a serious prospect of demand-related price increases arising from such action, there would always be other means available to our federal and provincial governments to dampen the enthusiasm of the potential borrowers.

Lowering interest rates in Canada could also be inflationary if at the same time we made credit, generally, more easily available. While we do not have anything like a perfect mechanism for rationing credit, we do have the means of controlling it within reasonable limits, measures which generally speaking have always been more effective than just jacking up interest rates.

At this point I am sure that many of you now understand why I am the despair of some of conventional economist friends.

I am certainly not suggesting that we consider a new monetary system for Canada, nor am I proposing that we activate the printing presses whenever we need more capital. I am merely suggesting that to pay for at least some of the projects which simply must go forward in this country in the next few years we should at least look at the prospect of government financing more of them itself at much lower interest rates. Please note: I only suggested that government finance them; I did not suggest that government manage them.

We are frequently reminded that if we lower the exchange value of the Canadian dollar this could reduce our standard of living because it would push up the cost of imports. The cost of imports would no doubt go up, and so also as our domestic manufacturers become more competitive we would see a rise in employment opportunities for Canadians. I think most Canadians would agree that with the exception of adequate housing, our standard of living is pretty satisfactory. Many of us might even agree that greater opportunities for new housing, even at the expense of temporarily increasing the cost of imported manufactured goods, might be a good trade off.

I put it this way because I believe that lower interest rates are one of the essential ingredients of any plan to give Canadians the opportunity they deserve to own their own homes, not two or three cubbyholes in a twenty storey box called a condominium, but honest to goodness single family homes with a bit of property to provide a worthwhile environment in which to raise a family and ultimately provide the best kind of a retirement fund.

The right to buy such a home, to live in it and to improve it and to ultimately own it has been one of the most stabilizing social and economic factors of my generation. Common sense tells us that to deny our children this privilege is to forego one of the most effective measures available to us to protect our society and our economic system! High interest rates maintained by the policies of the Bank of Canada and high land costs maintained by the parochial attitude of our municipal councils have so far frustrated the efforts of our federal and provincial governments to bring housing costs within the reach of the average Canadian.

I believe that it is essential to consider new approaches to both these problems. The federal government could by itself bring down interest rates and direct or supply additional funds to an enlarged housing program. There is little point to it doing so however if the provincial governments will not use their authority to make suitable land available at reasonable prices. Provincial land banking schemes have not been effective. Pressure by the provinces on municipalities to grant zoning applications and building permits, and pressure on land speculators to sell or build within a prescribed time frame could have a major effect on land prices. Between them the two levels of government could transform the entire housing picture and in doing so, because of the relative ease in scheduling expenditures on new housing, could provide one of the most needed elements in any plan to break up our inflation versus unemployment cycle.

The next area on which I should like to comment is that of energy: its pricing and its conservation.

Many Canadians are no doubt of the impression that one of the major factors which contributed to runaway inflation over the last year or two was the major increase in the price of oil and natural gas. No doubt some thought a little more deeply about this problem and reflected on the fact that we were coming to the end of our proven reserves of oil and gas and that this probably signified a much more difficult future for Canadians. There seems little doubt that our natural resource base has contributed in a major way to the standard of living which we Canadians have come to enjoy. Moreover, at this point we must accept that our petroleum and natural gas, together with coal and uranium, are probably absolutely essential to the continued existence of Canada as a nation.

The impact of the energy crisis obviously has far wider implications than its effect on inflation. Our energy reserves are by no means clearly defined at this stage. We have had clear warning from the federal government that soon we will have to spend billions of dollars per year on imported petroleum. In the face of this, one must wonder whether we should be rethinking our approach to energy conservation and pricing.

Our governments have been conducting a campaign to encourage Canadians to conserve energy. In the face of the problem, however, that campaign appears to be, to say the least, rather low key. Control of petroleum and natural gas prices was not included in the jurisdiction given to the Anti-Inflation Board and it appears that before long there will be further moves by the government to increase domestic prices to the level of the world market. I feel that we should take a hard look at this policy.

Surely another alternative would be to maintain a lower price in Canada for petroleum and natural gas and ration the use of some of the components, particularly gasoline. Rationing gasoline is not a policy which would have much appeal nowadays. But it seems to me that it might be done on a rather simple basis which would provide the owner of every automobile with a reasonable minimum quantity at today's prices and require him to pay a very substantial premium for any excess quantity he wished to burn. Such a system could be administered without coupons or categories simply by adopting a universal credit card keyed to each vehicle's license plate, and making use of data processing techniques which are readily available.

Canadians are unlikely to restrict their use of gasoline if the government just makes periodic increases in its price. A major increase, say an additional $1.00 for every gallon in excess of 500 used by any pleasure vehicle in a year, would have a dramatic impact. Such a program would likely substantially reduce overall gasoline consumption and in addition could raise very substantial revenues to subsidize the search for new petroleum supplies.

Obviously such a program would have no attraction for the major petroleum corporations which own our proven reserves and hope to own any new ones. They easily produce all of the supplies we are at present consuming and would be unlikely to favour any current reduction in consumption. However, until such time as it can be shown beyond doubt that we have substantially increased our proven reserves or have developed alternative energy sources, I find it very uncomfortable to see us continue to act like the proverbial grasshopper while we watch 1980 and its energy problems descend upon us.

There is little doubt that a major increase in oil and gas prices will have a substantial effect on the consumer price index. It will also have an important effect on the competitive position of many Canadian manufacturers. It seems to me that we should rethink our present plan to raise Canadian prices to the world market level.

I found it rather strange to read a few days ago that the government of Denmark has proposed that Canada be denied a trade agreement with the nine-nation European Economic Community until we stop selling our own energy supplies to our own people at less than the world market price. Possibly Denmark may have had some better reason than appeared on the surface for its suggestion. My own reaction was that it is just possible that someone in the government of that country had been in conversation with some of the "Seven Sisters".

A few moments ago I was referring to the need to increase considerably the supply of homes for Canadians. One thought that struck me in that connection was whether or not we in Canada could be facing a situation where, in a few years time, we will not have the means of heating our homes except at prohibitive cost. This led me to speculate whether or not we are now seeing, in these new major programs to mine and export our coal, a repetition of what happened to our "unlimited" supplies of petroleum and natural gas. I know nothing about the adequacy of our coal reserves. It would be comforting, however, if our government could assure us that *this* time it has *reliable* information on this subject and that we have no cause for alarm.

One of the reasons which led to the imposition of the current wage and price controls was the fact that wages in many sectors of Canadian manufacturing have risen to levels higher than those paid by many of our competitors in the United States.

A factor which has enabled some Canadian manufacturers to remain competitive has been our lower raw material costs. In the case of some commodities, petroleum, natural gas and some metals such as copper, Canadian manufacturers have enjoyed the benefit of a two-price system in which they obtained supplies at lower prices than those which prevailed on the world market. Not unnaturally the existence of this two-price system has been very upsetting to the producers of these commodities. I think that we should look very carefully at our policy in this regard.

The recent imposition of greatly increased taxes on our natural resource industries has led to an increase in the pressure to remove the two-price system. Consideration of the measures which we should adopt to protect our over-all economy when Anti-Inflation controls are removed should in my opinion include a serious look at the advantages which the two-price system has contributed in maintaining employment in secondary industry in Canada.

One of the areas which clearly must be improved in our economic system is the whole spectrum of labour-management relations. Regrettably, what seems to happen in the larger companies where employees are represented by unions is that, instead of the parties dealing with one another as partners in the enterprise, a great many matters are settled by a series of confrontations.

Unless we can somehow improve this situation, it is difficult to see how we can expect to control one of the basic causes of inflation: the understandable wish of our workers for ever more money as against the need of our employers for increased productivity if they are going to be able to pay it.

In a number of discussions I have had on this subject, I have found strong support for efforts to bring Canadian wage and salary workers into our profit system as partners rather than continue to deal with them as adversaries. Some of my friends have expressed considerable interest in the introduction to Canada of the share-ownership plan developed by Louis Kelso in the U.S.*

The Kelso plan combines assisting corporations to finance their expansion, widening the ownership of capital and improving employee-management relations through a new type of employee stock ownership plan. I would just like to say a word or two about those last two aspects.

Stock ownership plans for employees have been fairly common for many years. However, there are three basic reasons why they have never realized their full potential for improvement in our economy. The first of these is that most plans only take in the senior employees of the corporation. The second is that the employee has to pay for his stock out of his after-tax income. For most employees this makes any sizable accumulation of shares quite impractical. The third factor is that because of an ultra-conservative dividend policy by the directors of his company combined with uncontrollable fluctuations in the price of the shares on the stock market, the employee often found that his investment produced less than he paid for it.

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*See Louis Kelso's address to the Empire Club, February 21, 1974.

The Kelso theory in its simplest form would merely permit a corporation which does not need additional capital but wishes to improve its relationship with its employees to make extra payments to its employees to enable them to purchase stock in the company, the payments being deductible from the Corporation's taxable income but not taxable in the hands of the employees. In this way the employees quickly become "partners" with the outside shareholders at no initial cost to themselves.

The payments to the employees are only by way of a "loan" however. The shares allocated to the employees are held in trust for them until the "loan" is repaid. All dividends on the shares become the property of the employee but must be applied against his "loan" account until it is retired. Until the "loan" is repaid, the dividends are not taxable in the hands of the employee. To be effective the plan would require the employees to retain the shares until their retirement from the company.

There are a number of worthwhile extensions to this basic idea which could be implemented by enlightened company directors and by responsive government. One such is that a corporation could issue a different class of common share under the plan. These would be fully participating with the ordinary common, but the employees would be entitled to a full annual distribution of their share of the annual earnings.

If the shares issued to employees under the plan had this mandatory profit pay-out feature, employees could more quickly retire their initial "loans". Moreover the continuing incentive to the employees to maximize their company's profits would be greatly enhanced if they could look forward to full annual profit distributions.

If industry is going to sponsor the widespread development of such employee stock ownership plans, I believe that it should seriously consider having this mandatory profit distribution feature applicable to all shares issued thereunder. In order to encourage the issue of shares with this feature, the Income Tax Act should permit the recipient of dividends thereon to re-invest them in additional shares of the same type in the company, free of income tax.

Some Canadian companies are already offering assistance to their employees to acquire company shares. But without the tax deferment feature which only government can provide, the accumulation of any significant stake by most employees is quite impractical. Government has taken a partial step in the tax rules which permit registered retirement savings plans. In my opinion this second and potentially important step warrants early consideration in the interest of upgrading the role of all Canadians in our free enterprise economic system.

Now you may well ask what all of these matters have to do with our current anti-inflation program. Strictly speaking of course, they are not at all relevant to the first phase of that program in which we are now engaged. If you agree with me however:

1. that the current anti-inflation program imposes restraints which are quite impractical for either business or labour to live with for any extended period of time; and
2. that it is neither fair nor sensible for the business or labour community to sit back and expect government to provide all of the answers as to how we get inflation under control in both the short and the

long term while still protecting our free enterprise system,

then I hope you will agree with me that these matters have some relevance and that we must all introduce our own ideas to this very necessary debate in a constructive way.

I believe that our Canadian free enterprise system cannot survive unless we solve the problem of recurring bouts of inflation and unemployment. It will not survive unless we can find a cheaper way of financing at least some of the major expenditures which now confront us. It will not survive if we cannot provide socially acceptable housing and decent job opportunities for Canadians. It will not survive if we don't deal with our energy problem by placing a greater priority on conservation and the development of both new and alternative energy sources. It will not survive unless we can bring Canadian wage and salary earners into our profit system as partners, not as adversaries.

All of these matters, and many more which I am sure will occur to you, are fundamental to the control of inflation in Canada. Only by addressing ourselves to them and thereby getting inflation under long-term control can we demonstrate that our free enterprise system will work and that *our* system, free of persistent government intervention, is the system which warrants the confidence and support of future Canadians.

Our distinguished visitor and speaker was thanked on behalf of the audience by Mr. William M. Karn, a Director of The Empire Club of Canada.

FEBRUARY 5, 1976

Alternatives for a Free Society

AN ADDRESS BY Donald K. McIvor,
EXECUTIVE VICE-PRESIDENT AND
DIRECTOR, IMPERIAL OIL LIMITED

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Ladies and gentlemen: We bid you a cordial welcome to this luncheon meeting of The Empire Club of Canada. Our head table guests today are recruited from the index of Peter Newman's book on the corporate establishment, either the first one or the next one.

If one can judge from the nature and number of recent public statements by the prominent leaders of our business community, one would have to say that the gauntlet has been taken up and the issues joined in a quite remarkable way. I am already on record with this club in stating my view that we in this country, though obviously beset and influenced by world problems beyond our immediate and direct control, are not shackled by any economic determinism or social imperative nor held in thrall by any alien political idealogy. If this is not scientifically true, it ought to be.

But, because we are still free in relative terms, there are important choices to be made. I am sure that we are all encouraged by the fact that these serious matters are now the subject of serious debate, a debate refreshingly devoid of our accustomed clichés, *ipse dixits,* and shorn of the preoccupation with the naked fact of growth and without sufficient attention being devoted to the quality of that growth.

Our distinguished visitor and speaker today is here to enlarge on this theme, the "Alternatives for a Free Society", and we feel privileged to provide a forum for this continuing debate.

Donald McIvor was born and educated as a geologist in Manitoba, but in age and experience in the Canadian national scene he is typical of the present generation of decision makers. He joined Imperial Oil Limited immediately on graduation, as a geophysical trainee on a seismic crew in northern Alberta, and since then he has served that company in its exploration role in the field and in an executive capacity in Alberta, Saskatchewan, Angola, France and with the Jersey Production Research Company at Tulsa, Oklahoma.

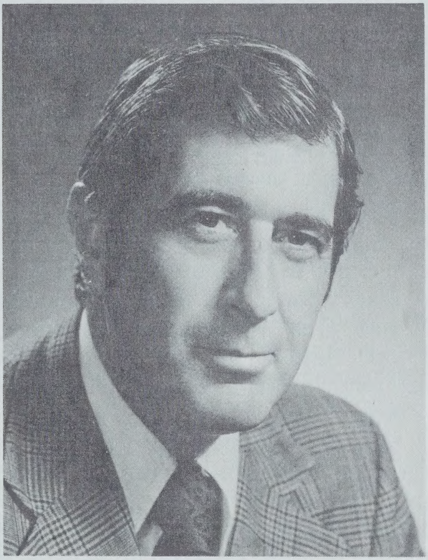
Between 1968 and 1970 he was assistant manager and then manager of the Co-ordination and Economics Department at Imperial Oil headquarters in Toronto. He became exploration manager in 1970, senior vice-president and director in 1973, and was appointed executive vice-president and director in 1975, the position he now holds.

We welcome Mr. McIvor here today and I now invite him to address you.

MR. McIVOR:

Mr. President, ladies and gentlemen: I've had my attention strongly captured by listening to and reading our Prime Minister's two recent addresses to the nation. He opened up a vastly important subject: the economic future of our nation. It is important to me, my family, my company's employees and their families, and to all Canadians.

Several people have condemned Pierre Trudeau's statements out of hand. I don't think this is warranted. Whether he meant to or not, he has initiated widespread



Donald K. McIvor,
Executive Vice-President
and Director,
Imperial Oil Limited.

discussion on a topic we should be discussing anyway: what sort of nation do we want to become and what do we do to become such a nation?

This is the topic I'd like to pursue today in a genuine spirit of enquiry. Just what choices do we have, in Trudeau's words, "... as a free people responsible for our own destiny and capable of shaping our own future"?

Richard Brinsley Sheridan was a parliamentarian as well as a playwright, and he said of an opponent's speech that it contained "... much that is new and much that is true. Unfortunately, that which is true is not new. And that which is new is not true." There's some flavour of this in the Prime Minister's addresses.

For instance, it is certainly true that we do not have a completely free market system in Canada, but that's hardly news to me. On the other hand, the implication that our mixed economy isn't working is news to me, but I don't believe it.

It has been said many times already that the two addresses are not crystal clear in their meaning and therefore subject to considerable interpretation. I concur and can base my comments only upon my own interpretation. But the subject is so critical to our future that there should be a minimum of ambiguities and misunderstanding. Therefore let me add my voice to those of others and ask that our first minister continue to attempt to clarify for us his thoughts in regard to our economic future. This is a reasonable request, particularly if our Prime Minister's intent is to alter significantly our economic system, as he implied it might be.

Now a word about terms and definitions.

Much of the current controversy is due, in my mind, to the fact that many of the participants haven't defined their terms with enough precision to be understood. Voltaire said, "If you will converse with me, define your terms." I hope I can do so without sounding too much like an economic textbook.

When I use the phrase "free market system", I'm talking about a hypothetical economic system where all activity and decision making in the marketplace is left entirely to free enterprise. Many sellers and many buyers interact, for example, on the basis of price, quality, and service. The collective sum of individual decisions shapes the market. Adam Smith's "invisible hand" (i.e. competition) is the sole controlling factor.

Our Prime Minister is correct when he says we've never had such a system in Canada. I would go further and say that no such system has ever existed, and I have no desire to see such a system in Canada. Any country has a clear need for regulatory frameworks to protect the interests of all citizens.

At the other end of the spectrum, there is total state control of all commercial activity, with no private sector and no private enterprise. The U.S.S.R. provides the most obvious example. It goes by a number of labels, and you can choose your own. There are differences among nations with complete state control, but these differences pale beside their great similarity, which is disregard for an individual's freedom, particularly in an economic sense.

What I call the mixed economy lies somewhere within the spectrum bounded by those extremes. This is what we have in Canada and in many other countries — a blend of private enterprise and state participation and regulation. In Canada, co-operation between private enterprise and the state was born of necessity. It was the most practical way that our young nation could work toward its aspirations of developing its resources for the benefit of its citizens, while at the same time ensuring the freedoms we have come to take for granted.

Within a century, this has brought us, against severe odds, one of the world's highest standards of living.

Discussions of this type have centred around the question of what proportion of private and public sector involvement will optimize the achievement of our national goals? You've heard the arguments. Spokesmen for the private sector, and others, have taken the view that the pendulum has swung too far toward state involvement, and that this has damaged our economic performance and thus the well-being of our citizens. Critics of private enterprise have felt that more state involvement is required. But collectively, we've continued to opt for a mixed economy in which the private sector has a very strong role.

All right. I've defined my terms. Now let us turn to what the Prime Minister has said. I am going to concentrate mainly on his speech of January 19, 1976, since I understand this to be the attempt at clarification of what he said in an interview of December 28, 1975.

I agree with him when he says: "The most pressing reality is inflation." Let me develop my views on this. Excessive inflation is *extremely* serious. One has only to read William Rees-Mogg's *The Reigning Error* to understand the social chaos that attends unchecked currency inflation. However, I do not think its existence in Canada signals the failure of our economic system. Let us ask ourselves why we have a serious inflation problem. I think there are two reasons.

First, there have been unavoidable external stresses placed on our system. The skyrocketing OPEC oil price is a good example, but not the only one. Second, we have ourselves placed very strong internal pressures on our system, mainly in the form of an overheated public sector. A great deal has been said by others about excessive government spending and excessive increases to the money supply, to the point that comment from me is not required. Economists of all persuasions seem to agree on this. But I must take note of the strong inflationary pressures triggered by record-breaking and trend-setting wage settlements in the public sector. This area of government spending, public-sector wage settlements, is one where I would hope that governments at all levels will reveal their plans much more completely than they have to date. A strong resolve on the part of government here would do wonders for public confidence. One might note that Ontario seems to be developing this resolve.

To summarize, we can't do much to combat external causes of inflation. But we can be very strong and very positive in the areas where we're bringing inflation upon ourselves, and I for one would welcome a more demonstrated resolve on the part of governments to restrain themselves.

I turn now to my major point of departure from the Prime Minister's thinking. In his January 19 speech, he said, "... we haven't been able to make even a modified free market system work in Canada ..." And in his December 28 interview, he said, speaking about price and income controls, that "... it's a massive intervention into the decision-making power of the economic groups, and it's telling Canadians we haven't been able to make it work, the free enterprise system." And further he says that our mixed economy "... has served us very well in the past ..." but is no longer serving us adequately. He says the issue is whether or not we are prepared to adjust the system through changes in legislation, institutions and attitudes. He offers us a choice as follows, and this is a direct quote from his speech to the Ottawa Canadian Club on January 19, 1976: "The choice is there. The people do it by changing their values ... their behaviour, or the government comes in with new regulations. No mystery. It has to be done."

Now this is an idea to which I take extremely strong exception, and I am not surprised that other Canadians do also. To me, this is the very nub of the current controversy. I resent strongly being told that I must change my values, or else. I had thought, mistakenly perhaps, that in our free society we had the opportunity to examine alternatives and then to choose among them. I was not aware that I must change my values to fit some prescribed pattern, or else.

I find these views in sharp contrast to those presented in Winnipeg last week by the chairman of the Economic Council of Canada, André Raynauld. Mr. Raynauld said we could choose between two alternatives: opting for rapid growth, with the concomitant necessity of working harder and more efficiently; or slower growth, with the concomitant acceptance of consuming less, spending less, and practising moderation, restraint, and frugality. That choice I can accept, but I can't accept being told to change my values or else. It erodes my freedom to a degree well beyond what I expect and respect in this country.

I'd like to say that, even though I take particularly strong exception to that statement by the Prime Minister, I do find much in his addresses that I agree to. I hope I'm not taking the following examples out of context:

> "The preservation and strengthening of the free-market sector of our economy is absolutely central to the liberal view of the Canada of the future."
>
> "We have a mixed economy that, in the way that it has evolved, has served us very well in the past, and is uniquely suited to Canadian beliefs and values."
>
> "The size of governments at all levels, and the impact of their size upon national productivity, cannot escape the spotlight of re-examination ... I see no intrinsic reason why governments should stay forever in the business of providing some services which could be provided by the private sector."
>
> "The issue before us is to what extent we will be controlled by government regulation and to what extent we will be controlled by our own sense of responsibility. I think we favour as little of the former and as much of the latter as is humanly possible."
>
> "We have the opportunity to enjoy the most valuable gift of a free society, the right to make our own choices about our own future."

Very good, but considerably in conflict with his statement that we must change our values *or else* they'll be changed for us.

So, I find in the Prime Minister's addresses an idea to which I am strongly opposed, and some ideas I can readily identify with. And I find some of his ideas in contradiction with one another. This is really my basic problem: which of the contradictory statements should I believe?

He has asked us to come forward with our ideas as to how we can optimize our social and economic future, and I'd like to give you mine.

The most basic contribution I can offer is that, while wealth does not guarantee freedom, it certainly provides the opportunity for it, both in a national and individual sense. Said another way, wealth responsibly managed is the basis of our national and individual freedom. The wealthy and socially responsible country enjoys a degree of freedom proportionate to its wealth. It can afford to confer a wide variety of benefits upon its citizens. If its wealth is diminished, so is its freedom of choice. A country cannot redistribute wealth it does not have. It can, of course, resort to printing some money, but we in Canada have had about as much of this as we can stand.

When the services provided by government proliferate beyond its ability to pay for them, then someone must decide which will have priority. Thus our current debate should focus on two subjects: how much wealth can we generate, and what are our priorities for using it?

It is a very unfortunate fact that we have seen fit to erode our capacity to generate new wealth. From 1965 to 1975, our GNP grew at an average rate of 10.9%. Corporate profits, or new wealth generated, grew at the same rate. Labour income grew at 11.9%, a full percentage point ahead of GNP. And total government spending grew at an average annual rate of 14.9%, a full four percentage points ahead of GNP or profits.

If this trend continues, the result is inevitable. We have already reached the point where we can't pay for all our wants. If we continue to widen the gap between our spending and our ability to generate new wealth, then we will have economic collapse. Profits are the primary source, the basic seedcorn if you like, of future wealth. If they continue to lag behind other sectors, then there must be less capital investment, less economic output, less employment, and a decreased ability to fund social programs. I cannot persuade myself that these trends represent the society we want. Surely we want to generate enough new wealth to give us the individual and national freedom of choice this confers upon us.

We cannot have this freedom if we adopt a program of economic retrenchment. There is no question that our population is going to increase. Thus, if we want to stay as individually wealthy as we are now, we must increase our real economic output. A good example of the conflict between the economic retrenchment and economic growth philosophies can be found in the Prime Minister's comments on our energy outlook. He stressed that we should avoid wastage and reduce consumption. I agree that conservation and careful stewardship of our energy resources should be prominent characteristics of our society. Coming from a Scottish-Presbyterian background, I have always considered the conservation ethic to be an important and respectable concept.

But to be at all realistic we must realize that even the most stringent conservation measures have their limitations. Let me give you an example. Since 1960, Ontario's energy demand has grown at just over five percent a year. It has been estimated that during the next fifteen years the province can, with some conservation, maintain economic growth at close to historic rates with an annual increase in energy demand of 4½%. Stringent conservation measures and government demand-reducing programs could reduce the annual growth rate to 3% but this lower level would result in lower than historic rates of economic growth. Economize and conserve how we will, we are still going to be needing more energy.

A positive attitude to our energy problems would be to adopt the conservation ethic but, in addition, to make a determined effort to develop new domestic sources of supply. We in the energy industry have emphasized time and time again the national benefits of such a development program: reduced balance-of-payments deficits, the multiplier effect on the Canadian economy with its wealth-generating potential, and security of supply.

We are going to have to work very hard to maintain our living standards. The energy situation dramatizes the fact that we can't have everything, and in particular that we can't have everything now. We are likely to find ourselves in a "trade-off" economy rather than an "everything goes" economy such as we've had.

Should we radically change our economic system to carry us through this period? Are we looking at the demise of our economic system as we know it?

My own opinion is that we will have to change significantly. We will not be able to confer all benefits on all people as we've been trying to do. We will have to place more emphasis on investing for tomorrow rather than consuming today. In a "trade-off economy", I expect we will find that more market system discipline allows the greatest individual freedom. If steak is $5.00 a pound and gasoline is $1.00 a gallon, you may want to fill your tank and I may want a steak dinner. But free choice may be much more acceptable than arbitrary requirement to take one but not the other.

The issue that has been put before us is what sort of nation do we want to be and what must we do to become such a nation?

My own choice would be to opt to generate enough wealth to have at least as much national and individual freedom as we have today. To opt for less would entail a conscious decision to accept less economic freedom. I, for one, am not ready to accept this.

I've already revealed my thoughts, but to repeat them: we must strengthen our wealth-generating capabilities and cease to erode them as we have been doing; we must relearn the philosophy of investment for tomorrow rather than consumption for today; we must reacquaint ourselves with the idea of trade-offs (i.e. that we can't afford everything, so we must choose among the things we want).

I doubt that we will radically change our economic system to accomplish this. Canadians are unlikely to accept a large shift toward state economic control, because of the loss of individual freedom entailed and because they will understand that such a shift would not provide the desired degree of wealth-generation. I do think that the investment-for-tomorrow theme and the idea of trade-offs are well within the bounds of Canadian attitudes.

The economic system that has brought us to our current high standard of living is imperfect like all human institutions. Perhaps we should view it as Winston Churchill viewed democracy: that is, as the worst of all systems excepting all the others that have been tried.

Our distinguished visitor and speaker was thanked by Mr. Peter Hermant, Second Vice-President of The Empire Club of Canada.

FEBRUARY 12, 1976

Détente in Africa

AN ADDRESS BY Dr. Jan H. Moolman, M.A., D.Phil., H.E.D.,
DIRECTOR, AFRICA INSTITUTE OF SOUTH AFRICA

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Ladies and gentlemen: We bid you a cordial welcome to this luncheon meeting of The Empire Club of Canada.

The geographers bid fair to pre-empting all disciplines. As a school boy my tutored conception of geography was associated with the red on the map, a familiarity with the continents, the mountain ranges, the great twin river systems of the world and, if time permitted, the memorization of the names of the townships of one's home county. I still fall asleep on occasion with the sheer majesty of those names ringing in my ears:

McClure, Wicklow, Bangor
Herschell, Monteagle, Carlaw
Faraday, Dungannon, Mayo

Today the geographers run the gamut from geology to theology, the ages of rocks to the rock of ages and everything in between, including land use, regional government and environmental control. Our distinguished visitor and guest today is in that great tradition.

Born in Boshof in the Orange Free State, Dr. Moolman was a school teacher and a farmer with special interest in the raising of cattle and maize. He has his doctorate in geography and from 1959-70 was Professor of Geography at the University of South Africa.

From April, 1971 he has served as the Director of the Africa Institute of South Africa, a non-profit association founded by the South African Academy of Arts in conjunction with the University of South Africa to provide a research facility for collecting data on African affairs generally, but concentrating on the study of geographical, economic, political, social and anthropological aspects of those affairs. I am impressed by the fact that the members of the Institute seem to have recaptured the happy versatility of the Greeks!

In 1958-59 Dr. Moolman was in the United States as the first South African to be awarded an Eisenhower Exchange Fellowship. I suspect that he knows much more about this continent than we know about his.

He has served the public administration through membership in a number of important governmental commissions. Our distinguished guest is a man who quite obviously has his roots deeply planted in his native land and, like most of us, I suspect, harbours some genuine concerns about the future of his country in a troubled world.

I feel privileged to introduce Dr. Jan H. Moolman and to invite him to address you on "Détente in Africa".

DR. MOOLMAN:

Mr. Chairman, ladies and gentlemen: True to my profession as a research professor, and not knowing exactly what was expected of me, I prepared a lecture on the détente situation in Southern Africa. Having received an indication that you were especially interested in "The Current Situation in Rhodesia, South West Africa and Angola", I have quickly redrafted my address, trying to comply with your wishes.

I do, however, wish to state very clearly that I hold no

Dr. Jan H. Moolman,
M.A., D.Phil., H.E.D.,
Director,
Africa Institute of
South Africa.

brief from the South African Government to speak on their behalf. I am not a civil servant and I have no access to secret information. My job and my Institute's task is merely to study, as objectively as possible, situations in Africa. This I do from information available to me as to any other researcher in this field.

There are many reasons for strained relations in Southern Africa but one of the main reasons is the fallacy that the South African situation is a similar kind of colonial situation to the rest of Africa and that it therefore should be treated in the same manner.

The realities of South Africa do not fit the colonial situation in Africa. Three and a quarter centuries ago, a group of whites from Europe settled in the Cape and over the years, spread inland. For the first 125 years they did not encounter any blacks, but about 1770 they met a black stream coming from the opposite direction and a first contact situation developed with its resultant friction. Over the years the two groups spread over practically the whole country, with the result that there is hardly a square mile in South Africa today where both black and white are not present. Yet the two streams did not integrate.

In their settlement processes whites and blacks set about things differently. The whites took land into private possession, developed natural resources, built infra structures, consolidated economically and politically, built cities (they are 90% urbanised). In short, they took the initiative in every direction very much in the same way as the colonial powers but on a vastly greater scale.

The blacks, on the contrary, never took land into private possession. Nor did they develop natural resources or build infra structures. They did not consolidate economically or politically and they never built cities (only 50% are urbanised). They contributed only their labour and in this field they made a great contribution toward the development of the country.

This kind of contact situation over a period of two centuries, by two such different identities as blacks and whites, produced many results in different directions. In toto, the whites overawed and dominated the blacks and this kind of human relations became the general pattern in the entire South African society. It can be generally described as a kind of master-servant, entrepreneur-labourer, work giver-work taker, ruler-ruled, rich-poor, developed-undeveloped, and so on, human relations situation. In fact, two different societies, two ways of living developed in South Africa and two kinds of lives were lived as though people belonged to two different worlds. I am not suggesting any reason why it happened that way, I am only stating a reality of history.

The collapse of colonialism in Africa and the concomitant rise of black nationalism, immediately plunged South Africa into a dilemma for which the country was not prepared. South Africa was so much obsessed by Afrikaner-English problems that it neglected its far more important white-black relationships. The old style colonial type of relationships was more or less taken for granted, but when it collapsed a void was created and a quick new adaptation to changed circumstances became imperative.

The emerging African independent states, the colonial powers and practically all the rest of the world demanded of South Africa to fall in line with everybody else and decolonize. But decolonization in practice meant only two alternatives: either the white man hands over political control or he departs.

The white man in Africa handed over the reins of authority and most also departed. Thereby they evaded the problem of black-white relationships or they established a kind of long distance new relationship on a different basis. They had no difficulty in accepting noble-sounding slogans because these had mostly academic, ideological or philosophical implications.

The application of the western democratic model to the South African situation is only one example to illustrate the implications for South Africa. By itself it is a noble concept in which the whites of South Africa believed and for which they were, in their history, prepared to make great sacrifices. Consequently they had no moral right to withhold these advantages from the blacks — even though they had no democratic background. In addition the blacks emphasized liberal and democratic values and demanded that white men should practise what they preach. This really caught the whites in a trap and put them in a dilemma. If they applied the western type of democracy with its majority rule, one-man-one-vote, party and parliamentary system — something they have been practising themselves for many generations — they might find themselves outvoted after the first or second election. That would amount to a black take-over from which, according to African thinking, decolonization follows.

Détente

In 1957 Ghana was the first black African state to become independent and it was quickly followed by a spate of others. Their mood was angry. They quickly rallied round slogans like "Africa for the Africans" and were inspired by calls like Tom Mboya's "Europeans scram out of Africa", or Nkruma's "We are all Africans, the rest of the world is not", or Toure's "We prefer poverty in liberty to riches in slavery".

In 1960, Harold Macmillan, Prime Minister of Great Britain, in his now famous "Winds of change" speech, warned South African Parliamentarians to take account of the wave of black nationalism sweeping across Africa. To this his host, Prime Minister Hendrik Verwoerd, more or less instinctively replied:

> The tendency in Africa for nations to become independent and, at the same time, the need to do justice to all, does not only mean being just to the black man of Africa but also being just to the white man of Africa.

For South Africa the winds of change quickly developed hurricane force, not only sweeping down Africa, but from all corners of the world. The early sixties saw a massive increase in demands for trade sanctions and boycott movements proliferated. South Africa was fiercely attacked for not falling in with decolonization.

For some years there was a kind of terrorism with bombings, wire cutting, sabotage and murder. In many circles there was a feeling that a violent overthrow of the white regime was just around the corner.

South African Reaction

In the early sixties South Africa sat tight. The government suppressed the local risings (Mr. Vorster was then Minister of Justice and Police) and after most of the ring leaders were trapped in the Rivonia raid near Johannesburg, the whole movement collapsed. Many leaders received lengthy jail sentences. Others fled the country to carry on their activities against South Africa from overseas.

Vorster's Outward Policy

Towards the middle sixties conditions in South Africa returned to normal and everything once more was quiet and peaceful. Economically 1964-65 were boom years with important trade expansions. African nations were beginning to experience the problems of independence and the high hopes of a renaissance in Africa were beginning to fade away slightly. When Mr. Vorster took office in 1966, it did not take him long to introduce his outward policy. One of the objectives of this policy was to cultivate a sense of Southern African regionalism. In 1961 South Africa was forced to leave the Commonwealth and this helped to make it much more Africa orientated. The Prime Minister later put it this way:

> Have we not in the past had an incorrect premise in that we saw ourselves not only as coming from Europe but actually saw ourselves as belonging to Europe? After attaining this office, I asked myself that question very seriously and tonight I have not the slightest doubt in stating clearly and underlining the premise that as we sit here, and as we live here in South Africa, we are of Africa just like any other country of Africa.

He also took a strong stand against violence and began to stress South Africa's strategic importance due to its geographic position in the Indian Ocean.

Other events also gave a boost to the outward policy: suddenly three independent black countries were thrust into the midst of South Africa, namely, Lesotho in 1964, Botswana in 1966 and Swaziland in 1968. This was new to South Africa but it illustrated that independent black states could exist very close to the Republic and that very good relations could be established.

In the meantime the South African government was constantly expressing its willingness to co-operate, technically, scientifically and economically, with African states and to render assistance wherever possible.

Early African Response

On the surface there was not much positive response to the outward policy and the hostile attitude was still adamant. Yet there were some encouraging signs. In 1967 diplomatic relations were established with Malawi and this was raised to ambassadorial level in 1971 after a visit by Mr. Vorster in 1970. Shortly afterwards President Banda was the first, and so far the only, head of an independent African state to pay an official visit to South Africa. This was followed up by a return visit by South African President Fouche to Malawi, where he made an appeal to "join forces to combat the real enemies of Africa — poverty, ignorance and disease".

At the same time good relations were established with Madagascar, and South Africa embarked on some large scale schemes for technical assistance. But a new government came into power and terminated all contacts. Similarly Ghana, under Dr. Busia, advocated a policy of dialogue, but the government that succeeded him reversed the policy.

A more lasting movement towards dialogue came from President Felix Houphouet-Boigny of the Ivory Coast in 1970 when he announced that he intended calling a meeting of African leaders to urge direct talk with South Africa. For this he received some support from leaders like Senghor of Senegal, Bongo of Gabon and Bokassa of the Central African Republic but also met with fierce opposition from the OAU (Organization of African Unity).

The Lusaka Manifesto

In April 1969, thirteen African governments had a conference at Lusaka, capital of Zambia, which can be considered as a kind of détente with the whites of Southern Africa. The manifesto they issued became a very important African document which was subsequently endorsed by the OAU and the United Nations. It contains some very positive elements, for instance:

> It rejects violence or, perhaps closer to the truth, it prefers negotiation to confrontation. "We would prefer to negotiate rather than destroy, to talk rather than kill. We do not advocate violence." (Article 12)
>
> It accepts the whites as a permanent part of Africa: "We believe that all the peoples who have made their homes in the countries of Southern Africa are Africans, regardless of the colour of their skins." (Article 8)
>
> It provides for a transitional period, provided their ideals or goals are unconditionally accepted and the administrations "struggle towards these difficult goals". (Article 6) "We recognize that at any time there will be, within every society, failures in the implementation of these ideals. We recognize that, for the sake of order in human affairs, there may be transitional arrangements ..." (Article 3)

On the other hand, it found that in the Republic of South Africa there is an "open and continued denial of the principles of human equality and national self-determination" (Article 6) to which the African nations can "neither surrender nor compromise" (Article 12). The demands on South Africa amounted to a complete rejection of its separate development policy and a surrender to a black majority rule which, in the eyes of the whites, means a black take-over. Hence the South African government rejected the manifesto and, in a sense, threw out the baby with the bath water.

Collapse of the Portuguese Empire

The withdrawal of Portuguese power from Africa created a completely new situation in Southern Africa. The question immediately posed was: What would happen to Mozambique, Angola and Rhodesia? Consequences were also seen for South West Africa and South Africa's internal policies.

Mozambique

The influence of the creation of a Marxist regime, right on South Africa's doorstep, was described by the Minister of External Affairs in an address to the Foreign Affairs Club, London, in September, 1975, as follows:

> We regarded the events in Mozambique as a challenge. It was seen as an opportunity for South Africa to prove that we, as is the position in the case of our relations with our other neighbouring states, are prepared to and can live together with our neighbours. Our interest is in stable and orderly government, not in the colour of the government. We have made it clear that we believe it is in South Africa's and Mozambique's best interests that the existing economic links between the two countries should be maintained. These are very important for

> Mozambique ... and the Mozambique leaders, in so far as they have revealed their attitudes, give every indication of taking a pragmatic and sensible approach on these matters.

The principle of non-intervention was firmly established and strictly adhered to in Mozambique.

Détente is not a new policy but merely an extension of the outward movement. The main issues of détente, as Senator Worrall describes them, are:

> The normalization of inter-state relations in Southern Africa specifically and in Africa generally, the resolution by peaceful means of the outstanding international problems of the region, and the recognition in regional association terms of the inter-state relations which already exist among the several states and territories of Southern Africa.

In his now famous Senate speech on 23 October, 1974 Mr. Vorster said:

> I believe that Southern Africa has come to the cross-roads. I believe that Southern Africa has to make a choice. I think that the choice lies between peace on the one hand and an escalation of strife on the other. The consequences of an escalation are easily foreseeable. The toll of a major confrontation will be high. I would go so far as to say that it would be too high for Southern Africa to pay ... But there is an alternative way. That way is the way of peace. The way of normalizing of relations, the way of sound understanding and normal association. I believe that Southern Africa can take that way. I have reason to believe that it is prepared to take that way. And I believe that it will do so in the end.

To this President Kaunda of Zambia promptly responded by calling Vorster's speech the "Voice of Reason" for which Africa had waited so long. From this moment onwards, diplomatic activities were stepped up very considerably.

Rhodesia

The liberation of the Portuguese colonies greatly inspired Black Africa to increase its efforts to force Rhodesia to accept majority rule, and the general feeling was that the Smith regime would not be able to last much longer.

African countries never recognized the Rhodesian government and always referred to it as a "rebel regime". Its two neighbours in particular, Zambia and Tanzania, were in the vanguard, openly advocating the use of force to overthrow the white minority rule. President Kaunda of Zambia often pleaded with Great Britain to use force, offering his country as a basis for attack. Both Zambia and Tanzania provided bases for what they called "liberation movements" and the Rhodesians called "terrorists". Zanu and Zapu continuously pounded upon the Rhodesian border areas but the Rhodesians were able to hold them at bay.

South Africa's policy towards Rhodesia, both before and after UDI, was always, very consistently, one of non-interference. In 1966 Dr. Verwoerd, then Prime Minister, expressed this policy in no uncertain terms: "We do not allow interference in our own matters, and, if we do not allow such interference, then we should not interfere in those of others."

On boycotts and sanctions Verwoerd took an equally strong stand: "Under no circumstances, be it under pressure or under force, will we participate in either boycotts or sanctions."

In more recent times official statements stressed strongly that a settlement is a matter to be worked out by the Rhodesians themselves.

In November, 1974 when there were rumours about Vorster twisting Smith's arm, the Prime Minister, in his own characteristic way, explained the situation as follows:

> The truth of the matter is that South Africa and Rhodesia talk to each other. The truth of the matter is that we give each other advice. The truth of the matter is that we bring the realities of the situation to each others' attention and discuss them in depth. But Rhodesia is just as much a part of Africa as we are ... I want to make very clear tonight that Rhodesia is not a subordinate of South Africa. The Rhodesian government makes its own decisions.

However, South Africa, like all other Southern African states, was gravely concerned about the Rhodesian situation as a major element of strain, which could easily escalate into a conflagration. Mr. Vorster therefore, encouraged by President Kaunda's positive reaction, as well as other developments in Africa, took a strong initiative in trying to assist in getting a peaceful solution. By diplomatic action he and Kaunda, as the prime movers, tried to co-ordinate five Southern African states in an endeavour to bring about a peaceful solution to the Rhodesian problem.

Dr. Muller, the South African minister of foreign affairs, speaking in London, September 1975, referred to this exercise as follows:

> Perhaps the most dramatic manifestation of the new determination to co-operate in an endeavour to find solutions to regional problems is the association of South Africa, Zambia, Tanzania, Mozambique and Botswana in the efforts to encourage and enable the various parties in Rhodesia to get together for constitu-

> tional talks ... Discussions between the various participants took place in Cape Town, Pretoria, Lusaka and Salisbury, and made very good progress.

The outcome of these discussions was not only the release of Mr. Nkomo and several other black leaders who had been detained, but also the so-called Bridge Conference where a South African luxury train was drawn on to the Victoria Falls bridge in such a way that half of it was on Zambian and the other half on Rhodesian territory. The object of this conference was to give the parties, i.e. the Rhodesian government, representing the whites, and the African National Council, representing the blacks, the opportunity to express publicly their genuine desire to negotiate an acceptable settlement. After the conference the parties were to meet again in Rhodesia in committee or committees until a final conference could again be convened to ratify the committees' proposals. The governments of South Africa, Zambia, Tanzania, Botswana and Mozambique indicated their willingness to ensure that the agreement would be implemented.

At the Bridge Conference, for the first time, Mr. Vorster, President Kaunda and Mr. Smith met in person.

Unfortunately, however, the conference broke down due to a split in the African National Council. This was a severe disappointment, but since that time negotiations have been actually started and are at present being conducted between a faction of the ANC under the leadership of Dr. Nkomo and the Rhodesian Government.

This détente exercise drew a reaction from the OAU. On the one hand they were interested in a peaceful settlement, but they were sceptical about South Africa's participation and wanted the negotiations to be conducted through the OAU itself, or, at least, by OAU approval and on the general lines of the Lusaka manifesto. Meeting in Dar es Salaam, April 1975, the ministers of foreign affairs of African states discussed this at length and gave limited approval to the four black presidents to continue the dialogue with South Africa in an effort to solve the Rhodesian problem. This was subsequently approved by an OAU summit in Kampala.

The significance of these diplomatic moves is: that a southern region, with its peculiar problems, exists; that the problems should be solved by negotiation rather than confrontation; and that dialogue, even with South Africa, is an important instrument in détente. At the Dar es Salaam conference several ministers, like those of Zambia and the Ivory Coast, spoke out strongly in favour of dialogue with South Africa. As an example of this position, Mr. Usher, Minister of Foreign Affairs, Ivory Coast, can be quoted. Later his attitude, with the full endorsement and support of his president, was very extensively reported in the Ivory Coast press. He said, inter alia:

> South Africa is an African country and the whites of South Africa are Africans ... the social structure in South Africa is an internal affair, the South African government must therefore, in its own interests, promote this policy of absolute neutrality in Africa while achieving the conditions for internal peace, i.e. dialogue locally with all the layers of its population to instill respect for the human being and his dignity and respect for freedom and equality between all the inhabitants.

The failure of the Victoria Bridge Conference has cast a shadow upon the Rhodesian situation and the détente movement but a new ray of hope has appeared by the negotiations at present being conducted between Mr.

Smith and Dr. Nkomo. But whatever the outcome of the constitutional talks may be, a firm basis for détente between South Africa and several Southern African countries has been established and is steadily growing. A common interest, common goals and an inescapable inter-dependence has been established, and positive results have been achieved.

Another example of the positive results is the South African withdrawal of its police force from Rhodesia. They had been in Rhodesia since 1967, as South Africa had at the time reported to the UN, to "deal with terrorists of South African origin en route to South Africa for the purpose of committing subversion." When this threat disappeared and the banned African National Congress of South Africa was no longer allowed to operate against South Africa from Zambian territory, the force was withdrawn last year. They never had been there, according to the South African viewpoint, to help Smith against terrorist attacks.

South West Africa

South West Africa is an international problem of long standing with many facets and I do not wish to go into detail. I only want to lift out one aspect in order to illustrate how people, or nations, can agree on principle but violently disagree on the implementation, thereby harming the principle.

Everybody agrees on the principle of independence and self-determination. African states, the UN and most other countries, however, seem to qualify its implementation by the following:

1. The boundaries of the ex-colonies are inviolable.
2. Self-determination must take the form of some kind of an expression of the wishes of the majority of the adults of that particular country. This majority can be identified only

> by the democratic practice of a one-man-one-vote count of the population. Having thus established "a majority", that majority is vested with the power of government. It is officially recognized by other governments and the country is deemed "independent".

The South African approach is different. They put more emphasis on the ethnic group or people and not so much on the individual. The nine different groups, some of them hundreds of miles apart, speaking different languages and belonging to different culture groups, were all politically organized internally to a certain extent. Representatives from these groups were then brought together, meeting in a constitutional conference, thrashing out a constitution of their own liking. South Africa only acts as referee, but all options are open. Mr. Vorster, on 5 November 1974, said: "I do not think it is unreasonable to say to the outside world that we ask them to do what we ourselves are prepared to do, namely to stand to one side to give those people an opportunity to decide on their own future, to seek their own salvation and attain their own self-determination."

If one views the South West Africa situation objectively, one must come to the conclusion that there no longer are important matters of principle involved. The gap between the South African approach on the one hand, and the OAU and UN approaches on the other hand, has narrowed to such an extent that it can now be handled by dialogue and détente. This was mainly possible because of a consistent change in outlook, on the South African side, about the ultimate destiny of South West Africa. Years back, before the winds of change started blowing across Africa, South West Africa was looked upon as a possible fifth province of South Africa and a closer political union was established. At a later stage it was thought of as a possible separate development situation with independent homelands.

Now self-determination has been freed from any preconditions on the part of South Africa. To argue further about South Africa's legal or illegal position is futile. The fundamental problems are independence and self-determination. On independence everybody agrees. On self-determination, it is only a question of method. The South African Government's method certainly has sufficient merit to justify serious consideration.

Angola

Angola became independent on 1 November, 1975. There is no recognized government, but three contestant groups are fighting one another for supremacy. Russia, through Cuba, massively intervened, supporting the MPLA ("Popular Movement"), a minority group. The other groups have western sympathy but little support. These are the salient facts.

South West Africa and Angola have a common border along the Cunene river. As a result of an agreement negotiated with the Portuguese Government in January, 1969, South Africa is at present engaged in building a dam, the Calueque dam, on the Cunene, 15 kilometres inside Angolan territory. This is part of a very extensive irrigation and hydro-electric development scheme with the object of providing water and power to the Ovambos, who constitute the biggest population group in South West Africa, as well as to other places in the country.

The security situation in the vicinity of the dam, however, grew increasingly unsettled, with the launching of periodic terrorist attacks. In August, 1975, South Africa approached the Portuguese High Commissioner in Luanda with a request to help ensure the safety of the workers at Calueque but nothing came of the request.

In August the workers were endangered by fighting between contending factions in Angola and refused to continue their work. Consequently, South Africa sent a small unit of troops with the intention of holding discussions to re-establish order so that the workers could return. However, discussions proved impossible because the platoon was fired upon. In the course of the resulting exchange of fire, the South Africans occupied Calueque. South Africa immediately informed the Portuguese authorities, as well as other governments and the United Nations, of this development.

In the meantime, sporadic murders and terrorist action into South West Africa continued. Even Chief Elifas, head of the Ovambo government, was murdered. Terrorist concentrations and military build-ups took place in Southern Angola. Conditions became chaotic with thousands of Portuguese refugees pouring into South West Africa. Already some 12,000 refugees have crossed the border and South Africa has spent $5 million to accommodate and help repatriate them.

Under these circumstances the South African army retaliated by driving the forces bent on subversive action against South West Africa far back into Angola, destroying their bases and capturing large amounts of weaponry — many of the weapons still in their crates. The FNLA ("National Front") group under Dr. Savimbi, representing the majority of the Angolans, naturally welcomed the South Africans but South Africa took great care not to get involved seriously in the civil war. Having driven the subversive forces far back, the South African forces returned to the border areas, creating a line of defence between Angola and South West Africa stretching from the Atlantic ocean to the Zambian border.

According to a statement by the permanent representative of South Africa in the Security Council on 26 January, 1976, from which I have drawn much of my information and which I recommend to you for serious study: "South Africa has played a limited role in Angola in the hope that, *inter alia*, it would secure for the Angolans the time to achieve a settlement for themselves around a conference table, or failing that, an opportunity for the OAU to find a political solution without outside interference."

As is well known, the OAU did meet in Addis Ababa to discuss the Angolan situation but failed to produce any solution. Exactly half were in favour of recognising the Russian-sponsored MPLA as the legitimate government and the other half favoured a national government by all groups. On one point, however, they agreed, namely in condemning outside involvement by both the Russians and Cubans on the one side and South Africans on the other.

In opening the Parliament on 23 January, the State President stated the South African policy as follows: "South Africa has no territorial ambitions in Angola. It believes that the people of that country, like other peoples, have the right to decide their own future and choose their own government themselves without armed pressure from outside."

On 27 January the South African Ambassador, Mr. Botha, addressing the Security Council, made the following statement: "To avoid any controversy in this respect and to make it easier for any government in Angola to avoid a conflict over this matter, I propose that the Security Council should assume responsibility until such time as a government in Angola can handle the situation satisfactorily."

Referring to Russian and Cuban intervention, the Ambassador contended that it was for the Security Council "to appraise itself forthwith of the facts. I propose that the only effective way to do so is for the Security Council to take the necessary steps in accordance with the charter to go to Angola and establish for itself who is posing a threat to peace in Angola, South Africa or Soviet Russia or Cuba. My government would welcome an on-the-spot investigation and will lend the Council its willing co-operation in the matter. I challenge our accusers to do the same."

To all this the Security Council's reply on 30 January was another condemnation of South Africa from A to Z, and an expression that the Council was "gravely concerned at South Africa's brutal repression of the Namibian (Angolan) people and its persistent violation of their human rights as well as its efforts to destroy the national unity and territorial integrity of Namibia, and its aggressive military build-up in the area."

Since I left South Africa last week, I have heard over the radio and TV that Lobito, Huambo and probably the entire Benguella railway line have fallen to the MPLA, which really means to the Russians and Cubans. This is a vast area and possibly means that most of the Angolan territory is now under MPLA military control.

What next?

As far as I am concerned, from this point onwards, it is pure speculation. You in Canada, since you have recently been in close, personal contact with Cuba, will be in a better position to cast more light on certain aspects that are unknown and dark to me.

But personally I am worried. What the Russians and Cubans plan for Africa, I do not know. Again I can only speculate. If they overrun Angola, as they apparently have done, they may create a strong MPLA government. If it is a stable reasonable government I think South Africa will accept the situation, as it has accepted the Mozambique situation where a purely Marxist regime has been established right on our borders. After all, a government for Angola is their concern, not ours. To what extent their government would be a puppet of Moscow is also their affair, about which South Africa can do precious little.

But there are other possibilities. Dr. Savimbi and his FNLA and other groups in Angola representing the majority of the population may, as they have said, continue with a guerilla warfare which will keep that unhappy country in a state of conflict for an indefinite period. Even more ominous possibilities may escalate into a real threat to peace. The Russians and Cubans may build up SWAPO for attacks on South West Africa and then they are sure to clash seriously with South Africa. As I know my country and my people, South Africa will fight and fight bitterly and I think the world will be surprised at the black support they may have.

This will also be a situation in which Canada and many other western countries will be involved directly since they recognize SWAPO as the only representative of the South West African people. The grave consequences of this situation, I think, you will easily appreciate. It may well be a repetition of the current situation in Angola where a super power supports a minority group up to the point where it can form a government. How this can be construed as self-determination and true independence is beyond my comprehension.

As far as détente is concerned, I am sure South Africa has gained much more than it might have lost. It has come out openly and forcefully on the side of Africa. It has illustrated that it belongs to Africa, that it sides with Africa and that it is prepared to sacrifice for Africa.

A strong common interest has developed, namely that African states, including South Africa, should be allowed to get along with their own affairs, without the interference of outside parties.

There still are differences in outlook between African states. There are deep-rooted problems of black-white human relations, but none are so insurmountable that they cannot be overcome by dialogue, by negotiation and by mutual respect. President Kaunda of Zambia has given a great new motto to Africa and the world: "The Voice of Reason". Let us pursue this voice: *Ex Afrika Semper Novis.*

Finally, only the South African internal position remains as a serious obstacle to détente.

South Africa's Internal Policies

South Africa is constantly being accused of discrimination on the basis of race and colour.

To this accusation I must plead both guilty and innocent. South Africa does discriminate on the grounds of race. I have said earlier that a particular way of life, with elements of discrimination, has frozen solid over the entire South African multi-racial society, due to a peculiar contact situation, over centuries, between widely divergent ethnic and racial groups.

But the old human relations pattern is no longer good enough for either whites or blacks in South Africa. This is realized and accepted by the government and, what is very important, it has been built into the official policy. In October, 1974 our Ambassador at the UN, addressing the General Assembly, put it in no uncertain terms when he said:

> We do have discriminatory laws, and it is precisely because of this that the greatest misunderstandings occur and our motives are most misrepresented. But that discrimination must not be equated with racialism. If we have that discrimination it is not because the whites in South Africa have any "Herrenvolk" complex. We are not better than the black people: we are not more clever than they; what we can achieve so can they. These laws and practices are a part of the historical evolution of our country ... I want to state here today very clearly and categorically: my government does not condone discrimination purely on the grounds of race and colour. Discrimination based solely on the colour of a man's skin cannot be defended. And we shall do everything in our power to move away from discrimination based on race or colour.

Speaking on the same topic, in London last September, our Minister of Foreign Affairs said:

> I have on several occasions in the past said that South Africa's foreign relations and our internal policies are inter-related. Normalization of our relations with black Africa will come more easily as our internal policies evolve and as we move away from discriminatory practices which are based on deep-rooted, inherited attitudes ... The South African Government is committed to move away from discrimination based on race or colour.

The Prime Minister himself, other ministers, church leaders, academics, businessmen and a wide variety of leading whites are continuously hammering on the necessity for human dignity in black-white relationships. We who live in South Africa can see how the white society is gradually responding. But discrimination cannot be eradicated in one grand sweep.

Further, discrimination by itself is a complicated concept. Argument is often based upon a belief that "all men are equal". All men are *not* equal. In fact, no two men are equal. This concept needs clarification by adding qualifications like "equal in the eyes of the law" or "equal opportunity" and many more. There are many differences between individuals and groups in any society and there are many natural discriminations. They all need to be examined, sorted out, put into perspective. This is a matter for dialogue and negotiation.

In this respect it is interesting to note that the constitutional conference in South West Africa has included in its "Declaration of Intent" the following important paragraph: "That we are resolved to devote ourselves to the promotion of and respect of human rights and fundamental freedoms for all without discrimination merely on the basis of race, colour or creed."

The very first of the four committees they set up for in-depth study, was one on discriminatory practices based solely on race and colour, relating to remuneration, pension schemes, general conditions of employment, legislated minimum pay scales and related matters. The committee was also requested to include in its work a study on the abolition of the "pass-laws" and the introduction of an identity system for all South West Africans.

Similar kinds of approaches and studies are daily conducted along a wide spectrum in South Africa.

The important point is that white South Africa has taken a stand in principle and is now working on the practical implications. This is being done at different levels and the Prime Minister has often said that he was prepared to discuss it with any African leader who is genuinely interested in the welfare of Africans, black or white.

The whole question of human relations should be lifted well above the hot level of emotion and put right into the cool atmosphere of the "Voice of Reason". It should not be an obstacle in the way of, but rather a solid base for détente.

Our distinguished visitor and speaker was thanked, on behalf of the audience, by Mr. Ian D. C. McPhail, a Director of the Empire Club of Canada.

FEBRUARY 19,
1976

The Monetary Muddle

AN ADDRESS BY
Nicholas L. Deak,
PRESIDENT, DEAK AND COMPANY

CHAIRMAN
The President,
H. Allan Leal, Q.C.

MR. LEAL:

Mr. Minister, ladies and gentlemen: We bid you a cordial welcome to this luncheon meeting of The Empire Club of Canada.

Lawyers have always had difficulty with money and particularly the meaning to be attributed to that word when used in a will. In origin it was restricted to coin of the realm, but in 1725 in Shelmer's case the meaning was extended to include money on deposit and this became its settled legal meaning. Needless to say, much harm was wrought by this and, indeed, the rule was said to be a blot on English jurisprudence because in many cases the intention of the testator was thwarted by the court's application of the strict rule. Then in 1943, in a decision of the House of Lords, the matter was put right. Two hundred years of jurisprudence was reversed by the Court holding that money had no *prima facie* meaning but took its meaning from the particular will in which the term appeared and, in some circumstances, it ought to be construed to include the whole of a man's estate. It was in this connection that there fell from the lips of Lord Atkin, one of my all-time favourites in legal literature, when his Lordship said:

> I anticipate with satisfaction that henceforth the group of ghosts of dissatisfied testators who, according to a late Chancery judge, wait on the other bank of the Styx to receive the judicial personages who have misconstrued their wills, may be considerably diminished. It will be a relief to the whole legal profession that at last what the Master of the Rolls called a blot on our jurisprudence has been removed.

Our distinguished guest and speaker today knows a lot about money. Though his biographical profile does not fit exactly that portrayed by Arthur Haley's *Money Changers,* still he has had an interesting and successful career.

Nicholas L. Deak was born in Hungary. He studied in Switzerland where he received his Ph.D. degree in International Finance from the University of Neuchatel.

In 1942, he joined the U.S. Army and subsequently served with the Office of Strategic Services as well as the State Department in various parts of the world. He was discharged in 1946 with the rank of Major. Mr. Deak is immediate past President of the Veterans of OSS.

Since 1946, Mr. Deak has built up a network of what is today the largest and oldest foreign exchange operation in the United States, with offices in Canada, the Far East and Europe. He is President of both Deak & Co., Inc., and Perera Company, Inc. The organization under his control has 57 offices in the United States and abroad.

Mr. Deak is also President of Deak National Bank in Fleischmanns, New York, and his organization has controlling interest in Swiss and Austrian banks.

He is Chairman of the International Commercial Lending Committee of the American Bankers Association, and he is an Adjunct Professor in Law at the New York Law School, teaching International Banking.

It is a privilege to introduce our distinguished guest and to call upon him to address you on "The Monetary Muddle".

MR. DEAK:

Mr. Minister, honoured guests: First of all, I'd like to call your attention to a mistake on the invitation of the Empire Club. The text reads that I jog every morning six miles before breakfast. It is not true. I jog only three miles.

Not long ago I had the pleasure of introducing the Finance Minister of South Africa at a monetary conference in Lausanne. When he finished his speech he said, "Ladies and gentlemen, now that I have finished my speech, I would like to say something!" *Before* I start my speech, let *me* say something. I asked your distinguished President how long I should speak. He said, "Mr. Deak, you can speak as long as you want, provided all the members and guests can get away by 1.45."

I prepared a speech, because I wanted to clarify in my mind what I am going to tell you, but I have learned through bitter experience never to read a speech. Once I planned to read a speech and dictated it to my secretary for transcribing. She handed me the folder just before I left. I opened the folder and read the first page. When I got to the second page I found a note: "Dear Mr. Deak. I have difficulty in transcribing your dictation. I cannot understand your accent. I am resigning." That taught me a lesson!

Since our time is limited, and since you want to hear something about money, let's talk about money. The most important money is the dollar, and the most important dollar is the U.S. dollar, with all due respect to the Canadian dollar. Nothing has replaced the U.S. dollar as a medium of international exchange, despite the difficulties which we went through and despite the difficulties we now find ourselves in.

You can look at the U.S. dollar from two angles. What is the value of the U.S. dollar internally, in the United States, and what is its value externally, outside the United States?

Nicholas L. Deak,
President,
Deak and Company.

Let us talk about the value of the U.S. dollar in the United States. The value does not depend upon the wage demands of the working class or the wage earners. It does not depend on the production schedule of industry. It does not depend on the interest rate that all those nasty bankers are charging. It depends, almost exclusively, on the deficit spending of the government. Since our government is engaged in deficit spending, and we have had deficits every year for the last fifteen years with the exception of 1969, we must have inflation. The inflation is created by our own government. Our government is created by us. So let us not blame certain segments of industry, labour, banking, finance. Let us blame ourselves because we keep sending representatives to our governments who approve deficit spending. As long as our government is engaged in deficit spending we will have inflation. The size of the inflation will depend on the deficit. If the deficit is large, inflation will be high. It is that simple.

There are fluctuations. There are certain effects which labour, industry and finance can exercise on inflation, but basically inflation depends on the deficit spending of the government.

Why is the government engaged in deficit spending? Because our political system is such that the members of the House of Representatives and the Senators have to do favours for their electorates. They want to be re-elected. They have to approve certain expenditures.

The federal deficit in the United States in 35 years went from $40 billion to $700 billion. There is no doubt in my mind that this debt can never, never be repaid. The interest which our federal government has to pay on federal debt increased, in the last 35 years, from $1 billion to $45 billion per year. Spending by government agencies, federal, state and local, in the United States amounts to $2000 per person per year. I believe that it is even higher in Canada.

Why can we not avoid deficit spending? I'd like to give you a few figures. In the United States, the number of people collecting social security is 32 million. Medicaid benefits are collected by 23 million. People receiving food stamps total 18 million. People helped under Medicare (which is different from Medicaid) number 13 million. Children in school lunch programs, very worthwhile, are 27 million. Railroad retirement benefits go to one million people. There are twelve million members of families receiving aid for dependent children. There are over eleven million workers receiving unemployment compensation. Half a million disabled coal miners receive aid, as well as one and a half million civil service retirees and over two million military personnel, and one million military retirees. The aged, the blind, the disabled, a total of four and a half million, almost three million government workers, five million veterans and survivors — all collect pensions or compensation.

This money has to come from somewhere. It comes from us. At the present time 38% of the gross national product of the United States goes into taxes, federal, state and local. At the rate at which taxes are increasing, in the next 25 years it will be 75 or 80% of our earnings. That means that we will have to give up our economic liberty, and if we do that we will also have to give up our political and social liberties.

The remarkable thing is that members of the cabinet in Washington are aware of this. Just yesterday, our Secretary of the Treasury, Mr. Simon, made the following statement: "A government that taxes away more than half of what they earn has robbed them of a great part of their economic freedom. Can there be any doubt that when our economic freedoms are destroyed, our political and personal freedoms will not long survive."

We cannot hope and we cannot expect that the inflationary trend will reverse itself. We live in a period where we know that our money will buy less tomorrow, less next month, and less next year. It is just a question of how much less.

Where is it going to lead? In my opinion, it must lead to disaster. In a world of grave inflation, there is always one part of the population which benefits. These are the people engaged in business who are intelligent enough and knowledgeable enough to see what is happening to the money. The majority of people, relying on fixed incomes or on past incomes, will suffer. There will be a great shifting in the social structures of the country.

Since the United States of America is the largest economic unit in the world, whatever happens there greatly affects the world. It cannot isolate itself from the world. Little Switzerland is trying, as much as it can, but even the Swiss cannot live by themselves.

That is the situation within the United States. We have to live with that situation because the government is not strong enough and cannot be strong enough to refuse to sign a social security cheque, an unemployment cheque.

They have to help somehow. How do they help? By printing money. But by printing money, they do not increase the wealth of the country. If you have a bottle of milk, and you add water to it, you might get two bottles of liquid, but you don't get more nourishment. By printing more money, to enable it to cope with all the expenditures which the government is engaged in, you create more money but you don't create more purchasing power.

Let us take a look now at the value of the dollar outside the United States. Outside the United States, the dollar is a commodity — like copper, silver, grain, or anything else. When you have a surplus of these commodities, the price is bound to go down. When you have a shortage, the price goes up.

When our balance of payments is negative, that means that we are spending more dollars abroad than we take in. Hence, there is a surplus of dollars outside the United States. I am oversimplifying it, but basically this is the situation. If you look at the balance of payments figures, you can determine what the future value of the dollar will be. Conversely, if you look at the value of the dollar outside the United States, you know what the balance of payments situation is.

The balance of payments of the United States has been negative for many years. What happens to those excess dollars which the United States has exported?

Do not confuse the balance of payments with the balance of trade. In your country, the balance of trade, your exports, is more than 20% of your production. You export more than 20% of whatever you produce. In the United States, we export only 7% of whatever we produce. The western European countries, depending on which country, go as high as 50% of their total production being exported. When in the United States we have a balance of trade which is positive, that is not of great significance, as far as our balance of payments is concerned, because it is only a small segment of our economy. The foreign trade segment in Canada is larger, proportionately, than in the United States.

When we export a few billion dollars more, from the United States, than we import, and the headlines tell us that the balance of trade is positive, this is almost meaningless as far as our balance of payments is concerned. It is the capital movement which is important.

But it is interesting that in most countries, when people see these headlines about our positive balance of trade, they think in their own terms because a positive balance of trade is important for them. They think that if the U.S. balance of trade is positive, then internationally the United States must be in a good financial position. That is not so. As far as the balance of *payments* is concerned, that is very fluid. No country, not the United States, Canada, or any other country, can determine exactly what the movement of capital is. We just do not have the statistical skill or information to list all transfers. Not all transfers go through those channels which can be analyzed and listed in statistical releases. If the dollar abroad weakens, we know that our balance of payments has weakened. If the dollar strengthens, we know that our balance of payments, at least temporarily, is better.

As other countries develop deficit spending problems, maybe our balance of payments is better than theirs. Maybe. So the strength of the dollar does not depend only on the strength of the United States. It depends also on the weakness of other countries.

There was a period when Far Eastern and South American depositors in U.S. banks lost faith in U.S. dollars, seeing from year to year unfavourable balance of payment figures, seeing from year to year the new restrictions which were introduced concerning capital investment abroad (which now have been cancelled). They transferred their funds from the United States to western European countries. This resulted in an *increase* in the deficit of the balance of payments, and added further headaches to our economic problems in the international field.

At the beginning, some of the foreign countries were co-operative and accepted our dollars as a reserve currency, and they issued in exchange their currencies. They bought our dollars, they piled up our dollars, because the dollar in the past was "as good as gold". They added our dollars to their gold reserves as reserve. By doing that, they created inflation in their own countries, because they issued additional bank notes, additional currencies against our dollars. When they discovered the havoc which this had played in their own countries, they discontinued accepting U.S. dollars. The central banks today, in western Europe, as a rule will not take dollars from the commercial banks, certainly not at the fixed rate. They take them only if they temporarily want to smooth out the fluctuations.

So the value of the dollar of the United States depends greatly on the faith of the world in our economy, or the lack of faith in their own economies.

Our economy is the strongest in the world but it is built on dollars. You measure your performance in dollars. You measure the value of your production, your labour, in dollars. But if the dollar is not something stable, if the dollar loses its value, there is no more measure. Our system is bound to collapse, and with it the whole world, because other economies lean on the strongest economic unit in the world which is the United States.

That is a sad picture which I have presented. Let me tell you that it is not going to happen tomorrow. We all have a few more years to enjoy life. Well, let's do it!

Somebody asked me, what should I do under such circumstances? He is living on his income from past savings. One of my friends suggested that he build a factory to manufacture handkerchiefs Everybody will need handkerchiefs! I repeat. In this inflationary world, there is always some group of people who will live very well. We have seen that in the past, as for example in the European inflationary periods.

What we don't realize is that right now, in these years, societies are collapsing because of inflation. Look at Chile and Argentina. Their problems are not only political. Their economic problems, inflation, brought political upheaval. Societies are being wiped out. We have seen this in Indonesia, a tremendously large country. India and Pakistan are not very well off. There are always inflations going on in some countries, but often they are so local that they don't affect the world. The smart people there, before the inflation gets out of hand, have already put their money into better currencies, or in gold or silver or some other form of investment.

I mention gold and silver. Is it worthwhile for us to put our savings in gold? I don't know. I only know that in many thousand years of history, gold always survived paper money. I also know that history repeats itself. And I also know that there is nothing new under the sun. The "new" is only something we have not learned from history, but it has always existed.

If you put your money into gold, you don't earn interest. If the gold price goes up, you lose interest. If the gold price goes down, you lose money on your investment. The price has been going down during the last year, but we all forget that over the last five years the gold price went up and up and up. Gold is very vulnerable at the present time, because immense quantities are with the International Monetary Fund, and they have stated that they intend to sell.

I have an unkind word for the International Monetary Fund, not because they want to sell gold but for another reason. The Fund is run by ministers of finance, and we know that ministers of finance cannot maintain financial order in their own countries. How can we expect that the same people can maintain financial order in the world?

They have stated that some of the gold must be sold, and they might or might not reach the point when they will really sell. But just the announcement that they wanted to sell depressed the gold price. Whether the gold price will be further depressed when they do start to sell, I do not know. I think it may have already been discounted. Maybe it would be a good idea for those who hold gold to stick with it, and for those who don't to wait a little, because we really don't know what either the International Monetary Fund or the U.S. government will do. The U.S. government also has large quantities. I believe that Secretary Simon is a very level-headed gentleman who knows exactly what is going on in the world, but I don't think he can help us. He is swimming with the stream.

As the chairman of the Hungarian National Bank said: "Three hundred economists and politicians want to convince three billion people that gold has no monetary value." And that is a Communist chairman!

I believe that gold has a monetary value, whether we like it or not. There is nothing to replace it. It is not a metal which I love. Actually it is rather silly. People go down, deep in the earth, and bring it up to the surface. Then we go to Fort Knox and put it deep down in the earth again. But nothing else has been found to replace it.

How about silver? There are no government stocks to speak of which would be a load on the market. The government cannot interfere with the silver market. The United States government, which had many years of world production of silver in stock, sold it out some eight years ago. When they sold out some five years of gross production of silver in two years, the silver price went up. The same thing might happen with gold! I don't know.

Silver has the advantage that governments cannot interfere in its price, except by taxation, and it is hard to grab it. A lot of people believe that since silver is not exposed to political decisions but only to economic trends, maybe silver investment is a wiser investment than gold. It is also bulkier, which is *not* an advantage. Silver consumption is far in excess of silver production. Production cannot catch up with consumption. That lies in the nature of silver production. At the present time, there are still some private stocks of silver which are coming on the market, and the price has been strong. In my opinion, it is an investment which some people should consider.

How about the Swiss franc? Switzerland is a fabulous country. I do not say so just because I studied there and I have many friends there, or because we have a bank there, but because it is a country which sometimes voluntarily creates a depression, it intentionally creates unemployment. I believe they have now 10,000 Swiss unemployed. They are in a situation where they can export unemployment, because of foreign labour. Some 25% of the labour force is foreign. If foreign labourers become unemployed, they just do not renew their working permits. They have to leave the country.

The Swiss want to control their own economy. They may reduce building permits. They may create a crisis in the real estate market, intentionally. They try to maintain a healthy economy, but they cannot isolate themselves because they are part of Europe and they have to take into consideration the situation in the surrounding countries. Switzerland has very little deficit spending, unlike Germany and France where deficit spending has now become common practice. The Swiss franc has been going up and up in relation to the dollar. Those who bought Swiss francs five years ago find that the Swiss franc has appreciated, in relation to the dollar, some 40 to 50%.

Whether this will continue, I don't know. The Swiss are a bit concerned that if they outprice themselves with a strong Swiss franc they might lose their tourist trade and that trade is a very important income for them.

But lots of people feel more comfortable with the Swiss franc than with any other currency, even though on Swiss francs you earn very little interest. You even have to pay or are charged with so-called "negative interest" if you have a Swiss franc deposit in Switzerland. That is why many people have Swiss franc deposits in Austrian banks or in banks in other countries, where they can avoid the negative interest and the withholding tax which Switzerland imposes on interest and dividends.

These are all things to which you might give some thought or some study. I have expressed to you my uncertainties concerning Swiss francs, silver, and gold. But in one area I am not uncertain, and that is that the dollars which you carry today will not buy the same quantity of goods and services next year.

I would like to read a quotation from Patrick Henry, who delivered a famous speech in which he said, "Give me liberty, or give me death." In 1775 he also said: "It is natural to man to indulge in the illusion of hope. We are apt to shut our eyes against a painful truth. For my part, whatever anguish of spirit it may cost I am willing to know the whole truth, to know the worst and prepare for it."

Our distinguished guest and speaker was thanked by Mr. Michael A. Stevenson, C.A., a Director of The Empire Club of Canada.

FEBRUARY 26, 1976

Diving Under the North Pole

AN ADDRESS BY Dr. Joseph MacInnis

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Mr. Minister, ladies and gentlemen: We bid you a cordial welcome to this luncheon meeting of The Empire Club of Canada. We are truly delighted that so many people who have supported Dr. MacInnis in the past should have found it possible to be here to support him today.

Much of beauty has been written in the English tongue, both in prose and poetry, on the love and lore of the sea. With the greatest respect, our distinguished guest and speaker today has written some of the finest of those lines as you who have read his prose, *Underwater Man.* and his poetry, *Underwater Images,* will attest. In that assessment, I call in aid a few lines picked at random from his prose written on Mykonos on the Aegean Sea:

> The sand is soft and cold beneath my feet. I stop and hear the sea begin to breathe. A slow swell breaks darkly against the shore and then sighs away in recession. Another lifts its longing form up the sand. It retreats. The cadence has started afresh.

That could only have been written by one who knows and loves the sea. But Dr. MacInnis is no dilettante. He has pledged his formal medical education, his daring, his energies, his ingenuity and his business acumen to unlocking the mysteries of the deep and the advancement of undersea technology. He has taken up the gauntlet thrown down by the lines in Gray's *Elegy:*

Full many a gem of purest ray serene,
The dark unfathom'd caves of ocean bear:
Full many a flower is born to blush unseen,
And waste its sweetness on the desert air.

The secrets are about to be yielded up.

Our guest is a Canadian scientist who has devoted the past twelve years to the study of men living and working beneath the sea. His early work was in the United States where he provided medical support for some of the deepest and longest manned dives in history. In 1968 he formed a consulting firm, Undersea Research Limited, in Toronto, and has held consulting contracts with the U.S. Navy, the Smithsonian Institution, Ocean Systems, Inc., Perry Oceanographics and Oceaneering International, Inc. His Canadian government contracts include the Privy Council Office, the Ministry of State for Science and Technology and, in his private capacity, the Prime Minister's Office, when the latter occasionally deigns to get in beyond his depth. He currently has consulting contracts with the Department of Environment in Ottawa and Oceaneering International, the world's largest diving company.

In 1969 Dr. MacInnis established "Sublimnos", Canada's first underwater manned station program. In 1970 he formed the James Allister MacInnis Foundation for underwater research and education in Canada. Between 1970 and 1974 he led four scientific diving expeditions to Resolute Bay, 600 miles north of the Arctic Circle. He surely is one of the few Canadians to view the northern lights in the southern sky. During the third expedition, "Sub-Igloo", the world's first polar dive station, was established under the ice. During the fourth expedition Dr. MacInnis led the first team of diving scientists to the North Pole. In 1975 he took Prince Charles of England on a thirty-minute dive under the ice of Resolute Bay, from whence he returned safely, nor lost his uncommon touch. He has provided medical and life-support for over two hundred experimental and open-sea dives and has, himself, experienced pressure effects to depths of 650 feet, enough to give a lesser mortal a permanent helium cackle.

Dr. MacInnis has authored over thirty scientific papers on diving medicine, including publications in the *Journal of Applied Physiology* and the magazine *Scientific American.* He is a research associate at three universities in Canada and the United States. Recently he received American and Canadian patents for an undersea communications station.

Dr. MacInnis' expeditions and studies have carried him to many parts of the world including South America, Europe, the Arctic, the Caribbean and the Pacific. His expedition photographs and stories have appeared in National Geographic Magazine and on Canadian and American television networks.

In 1972 Dr. MacInnis was appointed to the Canadian Environmental Advisory Council. In 1974 he was made a Fellow of the Royal Canadian Geographic Society and appointed to the Canadian Council on Fitness and Health. In 1976 he was accorded Canada's highest honour and made a Member of the Order of Canada.

We know more now and will know still more in our own time about this vast portion of our planet because of the work of Dr. Joseph MacInnis. As he himself has written, "The depth dimension is open, but much remains to be done." Dr. MacInnis will do it because he is still young and has, in the words which Tennyson put in the mouth of Ulysses, another man of the sea:

> ...this gray spirit yearning in desire
> To follow knowledge like a sinking star,
> Beyond the utmost bound of human thought.

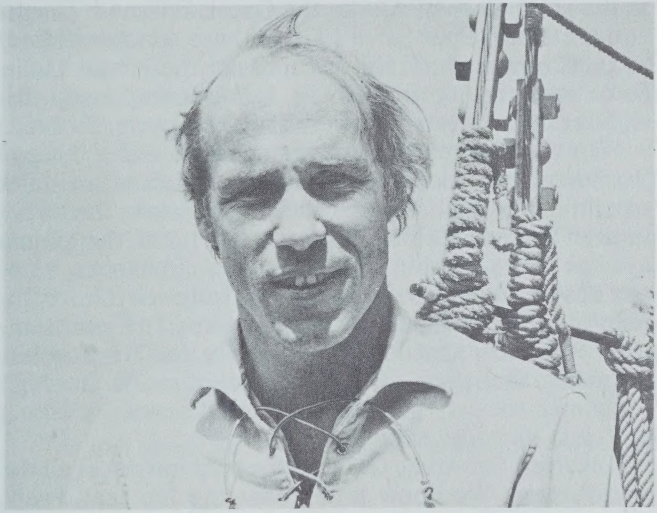
It is a privilege to introduce a scientist, a poet, a prose writer, a medical doctor, a diver, a merchant chief, and the current Canadian renaissance man, Dr. Joseph A. MacInnis.

DR. MACINNIS:

Mr. President, ladies and gentlemen and fellow dwellers of sometimes deep and chilly waters (the speaker makes a gentle motion in the direction of Mr. Leo Bernier, Ontario's Minister of Natural Resources), it is indeed a pleasure to talk to you today of the highlights of the past five years of our Arctic expeditions. In a few minutes I will be showing, on film, some of those experiences.

Since 1968, I have run a small consulting company in Toronto. Our business is "ocean information", and ranges from diving accident management and prevention to assisting the federal government in certain aspects of its policies and programs for marine science and industry. Last year we were also involved in the production of the "New Wave" television series for the Canadian Broadcasting Corporation.

These past eight years in business for myself have given me a glimpse of some of the enormous problems that, like the great monolithic glaciers coming out of the north, face the small businessman today. For the next thirty minutes, we'll be talking about exploring in the Arctic, but I would like you to know that this kind of endeavour contains important parallels with the problems of free enterprise. In both cases, the entrepreneur finds himself in a hostile environment, and it takes a certain kind of vision, initiative and perseverance to maintain meaningful forward motion.



Dr. Joseph A. MacInnis.

The past five years of northern expeditions have allowed me, for two to three months of each year, to spend time in the pursuit of knowledge. But it's more than that. It's the excitement of classical adventure. It's the pursuit of self awareness in an environment that is both hard and lovely; an environment that forces the best physical and mental effort from anyone who confronts it on its own terms.

You all know the Arctic from reading about it in books, and some of you know it personally from your own experiences. It is a place of myth and misconception; but a theatre of exciting opportunity.

The underwater Arctic is the most hostile environment in the world. We know this from first hand experience. Our team has made nine expeditions and travelled some 50,000 miles across northern Canada to such diverse sites as the north slope of Alaska, the Queen Elizabeth Islands and the North Pole. Since 1970 we have conducted forty projects and made 715 dives north of the Arctic Circle. Some seventy-five individuals, representing many disciplines in small rotating scientific teams, were involved.

Why do we go north, and why do we go under the ice? An important question. Canada has a million square miles of continental shelf that remains hidden under the ice for most of the year. Of that million square miles, the human eye has seen something less than a few city blocks. All of our knowledge has come indirectly, from seismic instruments, fishing nets, charts, drilled cores and grab samples. We know that locked under the ice are priceless resources, such as oil and gas and hard minerals. Our high consumer society, here in southern Canada, is taking dead aim on those resources.

However, the Arctic Ocean is the least known of all the world's seas. We know little about the life that dwells there and even less about the relationships between the various levels of the marine biosystems. Therefore, we dive to carry out specific scientific surveys that will shed more light on the natural processes of the environment. We need to make first hand observations *in situ,* on the animals and plants and their activities throughout the four seasons of the year.

Another reason that we go north and dive beneath the polar ice is to define the problems and clarify the operational techniques for future military, commercial and scientific dives in the Arctic. Our work is "anticipatory" in nature — we are attempting to develop the capability before the urgent problems arise. Those problems relate to search, salvage, construction and maintenance tasks.

The third reason for going north is "training". It is essential to expose as many students and professionals as possible to the difficulties of arctic undersea operations, so that they, in the years to come, can be responsible for their own expeditions. It is hoped that they will participate in the effective management of this vital portion of the country.

Our work is conducted through a non-profit Foundation in Toronto and is supported by enormous enthusiasm and very little money. Several of the people at today's head table were responsible for assisting our northern ventures. Our team is made up of engineers, biologists, geologists and students who pour their energy and expertise into the crucible of each expedition and force it to work.

I would now like to show you some of the films that illustrate, better than words, the highlights of the past five years. These photographs are made possible by the National Film Board and the Canadian Broadcasting Corporation.

(The film opens with an obese seal waddling across the ice of the Gulf of St. Lawrence.)

Any resemblance between this individual and a politician you know is entirely co-incidental. This is the harp seal, whose dominion is the ocean, and who lives in cold green corridors beneath a roof of ice. It is his ocean we have journeyed to for five years. He is a distinct reminder that the Arctic is the most hostile part of the planet. To me, he also suggests that man's recent presence is a threat to the vulnerable life in these remote seas.

Once underwater, the harp seal is almost poetic in his movements. These are the first photographs ever taken of him in his own airless environment. The water where he swims is so cold it can kill a man in five minutes if he is unprotected by a thermal suit.

1972 was an outstanding year for us, for in December we launched "Sub-Igloo", the world's first small transparent manned station. We placed it on the sea floor of Resolute Bay where it provided an important refuge and communications station. Constructed of transparent acrylic it gave us 360° of visibility. "Sub-Igloo" is semi-portable and requires no heavy equipment to place it on the sea floor. Here under five feet of ice, it gave us an essential foothold on the Arctic continental shelf.

In terms of human exploration, the underwater world of the Arctic, with its vibrant life and canopy of ice, is similar to Canada in the fifteenth century when the first Europeans explored it. Tomorrow's ocean world includes exploratory well heads, sub-sea production platforms, pipelines and an extraordinary amount of work for scientific and industrial divers. If we are to understand, use, and effectively manage this part of Canada, almost half the territory of the nation, then we must develop the capability to actually work and when necessary, live under the ice.

The walls of "Sub-Igloo" are so transparent that occasionally we throw water on them from the inside just to remind us that there is something there holding back the pressure. There are eight tons of upward buoyancy generated by "Sub-Igloo". The inside of the station is filled with air, and provides the same function as a small tent does to a mountaineer: shelter, refuge and communication. It's an important place to be when the water temperature is −1.9°C, when there's a fathom of ice overhead and above that it is 50° below zero.

From inside our manned station, "Sub-Igloo", we could see and quickly appreciate the animal life of the area, or "other nations" as Henry Beston once called them. Outside the transparent walls were living pulses of life, such as jelly fish and anenomies. You have heard scientists call them and their kin vulnerable or fragile, and indeed they are. You have only to go there, and see them up close to appreciate their delicacy. It doesn't take a sledge hammer to comprehend the impact that a large oil spill could have on the underwater ecosystem of the north.

One of the major projects of the Arctic IV Expedition in 1974 was the first oxygen-helium dives into the Arctic Ocean. We conducted four 220 foot dives. We were confident that similar equipment and techniques would someday be used in this part of the world, but had no idea that they would be applied so rapidly. In the fall of 1974, a Pan Arctic aircraft crashed near Rae Point, Melville Island. The same team that conducted the oxygen-helium dives during our expedition conducted the search and salvage operation of the aircraft in 130 feet of water. Their "rehearsal", during Arctic III and IV, allowed them to move swiftly and surely in the completion of their mission.

What we were trying to do during these expeditions was to prepare for the future. In the process, we had a series of "firsts"; things that no one else had done. We developed and constructed the first manned station, carried out the first biological and geological manned surveys, made the first diving trip to the North Pole and conducted the first 24-hour dive.

The film that you are seeing shows a diver and his support team making the plunge to 220 feet. The site is significant, for it is in the Northwest Passage, almost directly under where the U.S.S. *Manhattan* passed only a few years before. We now know that commercial divers, the workers of the sea, will be the leaders of underwater activity in the Arctic. They will be the ones who will work on the pipelines and production platforms.

The task being undertaken here was a simulated performance task to give us an idea of the problems of working on a well-head valve, deep in the Arctic Ocean. The work was conducted by a Canadian company, Can-Dive Services in Vancouver, as part of a joint effort between the Canadian Forces and commercial divers.

Deep divers have a special approach to their work. It's an attitude that as businessmen I am sure you are familiar with, for it includes the honest assessment of risk. During each moment of a deep dive, these men make hard judgments on the challenges immediately ahead of them. They are investing not only their money but their reputations and their lives for something they really believe in. They do their work well. They know that goals, clearly defined, are important and that it requires logical sequential steps to accomplish them. One false move by this diver, working 220 feet below the ice, means loss of his life.

This is a view looking up from the fifty-foot decompression stop. The diver told me afterwards that at 220 feet the dive hole looked to him to be about a quarter of the size of a postage stamp.

Deep divers are rugged individuals who are in the front ranks of free enterprise. They know how to work like hell and to accept the risks.

The last portion of one particular dive involved a very critical phase that almost got us into trouble. Normally we take the diver from fifty feet and put him into the decompression chamber on the surface. The transition must be done within five minutes. Usually, it is not too much of a problem but these films show that occasionally we run into difficulty. This particular problem had to do with the disconnecting of a hose to the diver's chest. It would not come free and until we unsnapped it we were unable to put him in the decompression chamber. At this point, unable to break things free, the diver faces serious decompression sickness and possibly paralysis or even death. Fortunately, we made it and decompressed him in time.

The highlight of our five years of arctic expeditions was the North Pole project. In April of 1974, as part of the Arctic IV Expedition, we went to the top of the world where all the time zones merge and all geographic directions are south.

We were flown to the Pole courtesy of the Canadian Forces who were simulating a search and rescue mission. There are about one thousand commercial flights over the North Pole every month, and there is the chance that one of them may some day have to land on the polar ice cap. The Canadian Forces will be responsible for their recovery.

We landed at the Pole and remained there for 63 hours. At the top of the world, the Forces team dropped us via helicopter and then parachuted our diving and camping gear. There were five of us and we were alone. Very alone. There was no loneliness more complete. We were 450 miles from the nearest land, the ice was some fifteen feet thick and below that, about fourteen thousand feet of water.

We conducted fourteen dives and spent ten hours beneath the surface, diving down to a maximum depth of about one hundred feet.

Our presence at the North Pole was important, not only to science and technology. The North Pole Project confirmed that Canada has a capability to put small teams of divers anywhere below its Arctic Ocean. If these waters are truly Canadian, and their management our responsibility, then we must have the capability to operate above and below the ice.

This was the first time that man had dived at the North Pole. We located faint hints of life, in small slivers of almost transparent protoplasm, and found the clearest water than any of us had ever seen. We could see for about a quarter of a mile.

These photographs show an underwater upside-down mountain range at the North Pole. Actually, it's a "pressure ridge" where thousands of tons of ice have been forced together into a huge shamble of blocks by distant winds and currents. The blocks shown here extend down as far as a hundred feet or deeper. We know little of the structure of these pressure ridges from first hand observations, and it is essential to learn more about them because they are important in terms of arctic shipping and the design of ice breakers.

In twenty-five years of diving, the North Pole dives were for me a highlight. Imagine, taking a swim at the spot Perry and Byrd had struggled so hard to attain.

We found time for humour. It is an essential ingredient in any northern expedition and an important lubricant for hardship. Here is an example. This is a diver walking upside down at the North Pole. He has inflated his suit with air and its buoyancy holds him up against the ice.

My colleagues on this expedition, and in all of the nine expeditions to the north, have the same motivation that fires an exploring businessman. They both start with a dream and follow it with vision and perseverance. At the North Pole, we were extremely fortunate. We had no overburden of bureaucracy. There was no one to tell us what to do and how to do it, and none of us was concerned about welfare payments or pension cheques.

It was a kind of enterprise that perhaps was not entirely free, but that left all of the participants with a sense of well being and a feeling of worthwhile achievement.

I suggest to you that none of these expeditions or their success came easily. There were many critics and many barriers to overcome in terms of raising money and convincing people of the value of our work.

I worry whether the attitude that initiates this kind of exploration will continue in Canada. This is a conservative country. Too conservative. Challenge, risk, and vision are words that are losing their sharp edge. There is a tendency just to sit back in our comfortable pews and let someone else do the job for us. The entrepreneur, the believer in his own vision, is becoming scarce.

A lot of attention is given today to endangered animals. For example, there is great concern about the future of the great whales, an essential part of our world, suffering the threat of extinction. Every fourteen minutes, another whale is killed and for no rational reason.

I suggest that we must also be careful to preserve those special human beings who are ready to take risks and accept challenges. They are rare animals with critical vision and initiative. They make any enterprise productive. Unless we are careful, we will lose them. How ironic! Without knowing it, we would have lost one of the most valuable of the endangered species.

Our distinguished guest and speaker was thanked on behalf of the audience by Dr. Harold V. Cranfield, a Past President of The Empire Club of Canada.

MARCH 4, 1976

NORAD: Current Operations and Future Plans

AN ADDRESS BY Lieutenant General Richard C. Stovel, A.F.C., C.D.,
DEPUTY COMMANDER-IN-CHIEF,
NORTH AMERICAN AIR DEFENCE COMMAND

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Ladies and gentlemen: We bid you a cordial welcome to this luncheon meeting of The Empire Club of Canada. On most days one does not envy NORAD personnel their tasks. This is not one of those days. How pleasant it would be flying above this weather. Come to think of it, how pleasant it would be tucked away in the bosom of Cheyenne Mountain on a day like this. For obvious reasons we are doubling in brass for this occasion and I am keen to have you meet and recognize our distinguished guests.

Our distinguished visitor and speaker today, General Stovel, has been Deputy Commander-in-Chief of the North American Air Defence Command since October 1, 1974.

Born and educated in the Province of Manitoba, he enlisted in the Royal Canadian Air Force on the outbreak of war in September, 1939 and was commissioned as a pilot officer in 1940. During World War II, he served in key positions associated with Canada's air crew training program and flew Mosquito bombers during his operational tour overseas. As a Wing Commander in 1944 he was awarded the Air Force Cross.

General Stovel was the first commanding officer of the RCAF station at Cold Lake, Alberta, and has also seen duty at NORAD as Deputy Director of Plans and Policy. He served with Canada's 1st Air Division in France as Chief of Staff, and at Canadian Forces Headquarters in Ottawa in various command-level positions. Prior to taking his present post, he was commander of the Canadian defence staff in Washington, D.C.

We welcome him here today as an individual and in his representative capacity. It is easy, and tempting, to be dramatic in reference to the burdensome tasks and awesome responsibilities of General Stovel and his colleagues. May I say simply that we sleep because they do not, and we relax because that is a word unknown in the lexicon of those whose avocation is eternal vigilance. We salute General Stovel and all those serving with and under him, and it is a privilege for me to call upon him to address this meeting, and to introduce his staff to you.

GENERAL STOVEL:

Mr. President, Mr. Consul-General, honoured guests, ladies and gentlemen: When I listen to those words I cannot help but feel embarrassed because it illustrates that I have served almost more time outside of Canada than I have been allowed to serve in it.

I have with me today Lieutenant Colonel William Povilus, USAF, representing the United States Air Force, and from the Canadian Forces Major Bill Stewart. The American Lieutenant Colonel is here, no doubt, to see if in this Bicentennial Year there is any consideration on the part of Canada to annex the United States. If he does hear of that, I am sure he will let me know.

I have served in NORAD now for five years: four of those years starting when it opened in 1958. I have been

Lieutenant Colonel William Povilus, USAF; Lieutenant General Richard Stovel, A.F.C., C.D., Deputy Commander-in-Chief, North American Air Defense Command; Major William Stewart.

privileged to work with the Americans. I find that with them we can call a spade a spade. In the military fraternity, my task as a Canadian has been easy.

Bill Povilus will give us the NORAD story. While you are watching this, you might like to know that I was very impressed with the change in the NORAD organization in the last decade. When I started there, some two thousand aircraft and pilots were in the skies, defending us against air attack. You will note, as the briefing progresses, that that is now only a small part of our mission. We are involved in what goes on in space, and our main aim is to protect the sovereignty of the North American continent.

LIEUTENANT COLONEL POVILUS:

Thank you very much. It is certainly a pleasure for us to be here with such a distinguished audience. For me, as an American, I am especially proud to be a guest in your country.

Over the next half-hour, we are going to bring you up to date in the defence of North America, and perhaps even show you a little bit about where we are going in the future, to handle what is, as you will see, a very large threat from the other side.

I will address our current mission, as it is viewed today, of how we handle the Russian missile threat. Then Major Bill Stewart, of the Canadian Forces, will talk about airplanes and how we actually protect the physical air space over North America against intruding Russian reconnaissance aircraft or bombers.*

Our Commander is a very interesting and controversial individual, the first black "Four Star" ever in the American forces, General Daniel Chappie James, Jr. He is a very impressive man, both in capability and in stature. By that I mean he stands 6′5″, and weighs 280 pounds. And, as has just been pointed out to you, his Deputy Commander-in-Chief is Lieutenant General Richard C. Stovel. This dual Canadian-American relationship exists throughout the NORAD organization.

Our headquarters is in Colorado Springs, inside a large granite edifice. After you go through the tunnel, about a mile long, we are buried inside several all-steel buildings that are designed to withstand shock, for instance of direct nuclear attack or a natural disaster such as an earthquake. In order to sustain that shock, the buildings are mounted on springs to protect the delicate equipment inside, mostly computers. Those buildings, incidentally, can bounce both vertically and laterally about a foot. They are locally known as "Colorado Springs"!

Necessarily, the two governments dictate what we do. These are our responsibilities:

1. To provide warning of an attack of any nature.
2. To keep track of everything that happens in space. We are the only military command so tasked.

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*The following addresses were in the form of a commentary on a slide presentation.

3. The role NORAD has had since its inception in 1957, to protect the physical integrity of the air space over North America.

Why is attack warning needed? Why is that our most important product? We are the folks who pick up the phone and call your Prime Minister and the President of the United States and tell them of an impending attack. This allows them to make a rational decision on some sort of response and the Russians know this. They know that they will get in their back yard the same kind of thing they may want to put in ours, and they are deterred from doing anything.

The users of our information are many, besides Ottawa and Washington. We alert the offensive forces of the United States — the bombers and missile fleets. We even get the fighter aircraft off the ground in both countries so that they might survive a nuclear attack and the populations of both countries are alerted, starting from within Cheyenne Mountain. We send out the warning that gets the air raid sirens and the local officials ready.

Let us take a brief look at the Soviet missile threat. It's a fairly dynamic one. In case you have never seen a Soviet Intercontinental Ballistic Missile being fired, here is a short film clip. The whole family of Soviet ICBMs numbers over sixteen hundred targeted for North America. Some of the older ones are being dismantled in favour of submarine launched missiles. The SS-9 in the middle is the largest intercontinental missile in the world. It's about 110 feet tall, as high as an eleven-storey building, destined for targets such as Cheyenne Mountain, perhaps, or some of our missile fields, or maybe even the Bank of Montreal.

On the submarine side, they have come a long way in a very few short years. Currently, there are about 750 missiles afloat, aboard Soviet submarines. Your maritime forces and our United States Navy keep us aware in

NORAD of where the submarines are at all times. They patrol off our coasts all the time. We keep radar aimed in that direction, in case they might launch.

Here's a look at one of those Soviet submarine missiles being fired.

Most of them are fairly short range, by that I mean about 1,300 miles, very equivalent to our first series of Polaris in the United States. They are building a new submarine, called the Delta class, which carries a 4,200 miles range missile. That complicates our problem because they can launch from most ocean areas anywhere in the world and hit North America. They now have eleven of these submarines and a few of them are out patrolling. The coverage from these submarines is very comprehensive.

Enough of scare tactics for the moment. Let's take a look at how NORAD provides this all-important warning.

First, regarding missile attacks, our first indications that a missile has been fired somewhere in the world come from a series of satellites that we have up in synchronous orbit. Synchronous orbit means that the satellite appears to rotate over the same point on the earth's surface, always looking down at the same place. They use heat detectors to warn us as soon as a missile is fired. They can see the tail plume when a rocket has been launched. We know about it, within Cheyenne Mountain, within seconds.

We use radar to verify what the satellites see and to tell us where the missiles might be going. In the north we still use the Ballistic Missile Early Warning System (BMEWS), three very powerful radars looking over the North Pole, to pick up any missiles which might come across the Pole. Against submarines we use a network of older radars on the east and west coasts of the United States.

These radars are old, not very reliable, and very short range. To solve this problem, we initially modified a new type of radar called "phased array" radar. It is now operating at its first site down in Florida, protecting the southern approaches to the United States. We are going to build two new ones, much like the one in Florida, and put one on the east coast and one on the west coast to replace all the other radars. This gives us a considerable increase in capability to warn of missiles that might be launched from the ocean areas.

In something as important as warning of an attack we have to have several different systems. When General James or General Stovel has to pick up that red phone (God forbid!) and call our command authorities in either country to warn of an attack, they can not only provide a timely warning, they can also place their confidence in that warning.

As a matter of interest, last year in the world there were 713 missile launches. We know that through intelligence. We also know that we picked up and tracked every launch. That is an average of about two launches a day, so we get quite a bit of practice.

I have not talked about active defence against the ballistic missile and I think you know why. There is little that we can do about it. The United States, in agreement with the Soviet Union, signed a treaty limiting each country to only one anti-ballistic missile site. The Soviets built theirs near Moscow, and we built ours in North Dakota. I'd like to show you the site on film, even though just about a week and a half ago Congress directed that it should be dismantled.

This is a very powerful phased-array radar, with many thousands of transmitters and receivers. To give you an idea of its capability, it could track a tennis ball at over a thousand miles. This four-sided radar (it looks as if we might have borrowed it from the Egyptians) is also phased-array, and provided tracking to the interceptor missiles of which we had two types, a long-range called Spartan and a shorter-range called Sprint. On film you see a test firing of the long-range missile, Spartan, a little over a year ago. It was designed to go outside the atmosphere and neutralize incoming warheads.

Here is the short-range Sprint, first in slow-motion and then in real time. It is exceptionally fast and difficult to catch with the eye. To give you an idea of what I mean, it can accelerate two miles straight up in under two seconds, literally faster than a speeding bullet.

The area that this system did protect until recently is shown here. You might note with interest that General Stovel's home, Winnipeg, falls within that area.

NORAD's second area of responsibility is in space and this is where the growth is. Perhaps this is where the future threat may come from. We have a world-wide network of sensors, of all kinds, manned by many different people and organizations, feeding directly into Cheyenne Mountain, to track and monitor space activity. There are at present about 3,750 satellites alone in earth orbit and we keep track of all of them. A lot of it is space junk, astronauts' gloves, cameras and so on, but there are quite a few operational satellites as well. They all feed into the Space Defense Center in Cheyenne Mountain.

We run a lot of programs for a lot of people, and I will just mention two of them here. One program is called Combo, or Combination of Misses Between Orbits. During a man-shot, for example, where there could be a hazard to astronauts, we compare the orbit of the man-shot with the orbits of all the other 3,700 odd objects up there on a continuing basis to make sure there is no chance of collision. We have actually been able to tell the astronauts when to stick the camera out of the window and snap the shutter to photograph satellites going by. That gives you an idea of the capability.

Another thing we must do is predict when an object is large enough to survive re-entry and impact, back on the earth's surface. The main reason for this is that a satellite coming in can look suspiciously like a warhead, so if it's coming in over Moscow we pick up the phone and let them know, and they are supposed to do the same for us, although they are not quite so active in that area.

We do predict very often where and when things are going to come down. I have here with me an object that we predicted would come down in New Zealand. It is part of a Russian satellite, Cosmos 384. It is fairly heavy, which may say something about Soviet technology in metal areas.

To track satellites, we have to have a lot of sensors. We use the phased-array radar down in Florida, we use deep-space trackers to actually lock onto a satellite as it goes overhead.

Here on film is a very interesting system — it was the United States' first space tracking system, built just after the launch of Sputnik in 1957. It is run by the United States Navy. Maybe that's why it has no moving parts and is very simple.

Some of you may recognize this system. It is a telescopic camera called a Baker Nunn. We must use this type of device beyond the range of radar. It can track a small object at 30,000 miles, and photograph it. What we do then is examine the stars in the background and determine very precisely its position when the shutter was snapped.

Now let us turn to Major Bill Stewart of the Canadian Forces. He will talk about his favourite subject, airplanes, and show you how we keep the Russians and anybody else who might want to come in at bay, how we prevent them from intruding into our air space, and how we might conduct a defence against a manned bomber.

MAJOR STEWART:

Good afternoon, ladies and gentlemen. This part of the NORAD mission goes back to World War II; that is the job of maintaining surveillance of our sovereign air space. We have a limited capability against the manned bomber in a time of crisis. It still requires the same three related capabilities: surveillance (warning provided by radar), the defensive forces to provide the deterrent, and the Command Control to coordinate the two. We will discuss each of those areas.

First, take a quick look at the Soviet bomber force. Although it has been overshadowed in recent years by the ballistic missile, it hasn't changed much. The Soviets have about 140 of what we would class as a true long-range intercontinental bomber. They have over a hundred turboprop Bear aircraft which have sufficient range to reach any target in North America and return to home base without inflight refueling. They carry either free-fall bombs or air-to-surface missiles.

They also have the Bison, a four-engine turbojet very similar to the Strategic Air Command's B-52. About 50 of their 85 Bisons are maintained as tankers.

There are over 600 medium bombers in the Soviet long-range aviation inventory. We feel that they are probably oriented primarily toward targets in Europe and Asia, but with in-flight refueling or one-way missions (recovering in Cuba for instance) they do pose an intercontinental threat and have to be taken into consideration by the NORAD planners.

The Badger is a subsonic medium bomber which is in-flight refuelable. Another is the Blinder, which has a supersonic dash capability and is also in-flight refuelable.

The Soviets are introducing a new supersonic bomber called the Backfire. It is a swing-wing aircraft, very similar in plan to the United States Air Force prototype B-1, which is still several years away. The Backfire is in production and is now entering operational service in limited numbers. The fact that the Soviets are adding this aircraft to their inventory supports our view that the manned bomber will continue to be a potential threat.

On an average day within Canada and the United States, there are about 200,000 domestic flights, with another 1,500 flights inbound from overseas areas, so you can appreciate that surveillance of our airspace is an enormous task. It is accomplished through flight-plan correlation, using computers, or failing that, visually through using fighter interceptor aircraft.

On an average day throughout the North American continent, there are two or three events which require visual identification, using a fighter interceptor aircraft. These are usually the result of lack of a flight plan, late flight plans, that sort of thing, but occasionally Soviet aircraft come down close to Alaska or through the Greenland-Iceland-U.K. gap where this photograph was taken. Because of the magnitude of the problem, we have decentralized our command and control to eight NORAD regions. These regions overlap the international boundaries. These are where the day-to-day surveillance, and if necessary, the air battle would be managed. NORAD headquarters would merely monitor the over-all situation and co-ordinate where necessary.

This picture is of a typical regional headquarters. They are all above-ground quarters, as you can see, with the exception of the one at North Bay, Ontario, which is underground. I point this out because these stations were built in the '50s, when the threat was from the manned bomber, and they are now extremely vulnerable to the ballistic missile, so we are looking for more survivable means of regional command and control.

In order to detect aircraft, NORAD's radar sites transmit their information into the control centres. High altitude coverage from these radars gives good coverage of most of the continental United States and Canada. The shaded area at the northern rim represents the coverage from the Distant Early Warning Line. This coverage extends out across Iceland. There are two heavy radars there which are not part of the DEW Line, but they do fill in the gap.

Radar is "line-of-sight" and cannot see over the horizon. Therefore the low level coverage is not nearly so comprehensive. We are looking at means of improving that coverage, and we are developing a new radar called "Over-the-Horizon-Backscatter" or OTHB. This system promises to extend our warning capability against the bomber to close to 2,000 nautical miles from our coasts at both high and low altitudes. It will give us a very broad type of return — not the kind of precise data we need for interceptor control, but this we expect to come from the airborne warning and control aircraft which we will talk about in a moment.

A limited-coverage prototype OTHB is being built up in the northeastern United States. It will undergo a test period when it is completed to validate the system concept. If it is successful, it will be expanded to full coverage and we will deploy a northwest site.

We have carried out prototype tests in the Canadian Arctic to determine the performance of this system up in the extreme electrical disturbances of the Aurora Borealis. The test data in that area has not been encouraging, so with regard to the northern approach we still plan to maintain the DEW Line until such time as we can perfect an OTHB or some other system that will operate successfully up in the Canadian Arctic area.

In the United States they are well advanced in the joint use of civilian and military radar. Indications are that Canada is going to go for some modified version of this joint-use system in the future.

The military mission of peacetime surveillance will be carried out from reconfigured NORAD regions. The main difference is that there will be no more overlapping of the international boundary. This new structure will facilitate national activity in the support of peacetime air traffic and still permit co-ordination of our air defence resources.

Each of those regions would have a headquarters that would be co-located on an air base capable of handling the airborne warning and control system, the "AWACS" aircraft. The NORAD concept is that, in conjunction with the long-range warning that we should receive from these new radars, these aircraft will become airborne before the bombers or missiles arrive, and provide the necessary intercept control.

Four pre-production aircraft have been produced. They are modified Boeing 707 320B airframes.

The Westinghouse Doppler radar, mounted on top of the aircraft, is capable of detecting targets at very long ranges, and it has an excellent look-down capability. It is a real break-through in that area. It has been demonstrated tracking speeding traffic on the freeway, which will give you some idea of its capability. However, at $100 million plus per copy, I don't think you will see it used in that capacity. Of course, by being airborne, it will give us survivable command and control in any crisis situation.

Let's take a quick look at the defensive weapons. They have been in our inventory for a number of years so there will be no surprises.

In the United States, there are five squadrons of the 101 Voodoo, flown by the Air National Guard. They will phase out completely through 1977, so by that time the only 101s left in air defence will be the three Canadian squadrons, Comox on Vancouver Island, Bagotville, Quebec, and Chatham, New Brunswick.

In the United States are twelve squadrons of the F-106, the Delta Dart. Six are flown by the Guard, and six by regular Air Force units. It is the newest interceptor aircraft, and the last ones came off the production lines in 1961.

The F-4 Phantom is on alert for NORAD in Alaska. We also support a squadron of F-4s in Iceland.

Those aircraft are on alert twenty-four hours a day around the periphery of the United States and along the Canadian-United States border.

This picture shows the de-emphasis that has occurred in atmospheric defence since the early ’60s, when we were peaking out against the manned bomber. The column on the right is where we are today. It shows a dramatic run down in numbers. Keep in mind, however, that they can be augmented with sufficient strategic warning. It is interesting to make a comparison with the Soviet Union, because they remain today very heavily postured in atmospheric defence. Our fifteen batteries of surface-to-air missiles represent just over 400. The Soviets have about 10,000. Our total of twenty dedicated interceptor squadrons represent just over 300 aircraft. The Soviets have about 2,500. Obviously, they view atmospheric attack as a potentially greater threat than we do.

As we look to the future, and to new Soviet aircraft that we might have to contend with such as the Backfire, we will require a follow-on interceptor that has improved speed, altitude and weapons capability. Our interceptors were all built in the mid ’50s and early ’60s. They are still capable aircraft against the current potential threat, but they will require replacing.

Two possible contenders that we are looking at both have thrust-to-weight ratios greater than one to one: that is, the engines produce thrust that exceeds the weight of the aircraft. This promises a very exciting period in fighter aircraft performance.

The F-15 Eagle is built by McDonnell Douglas for the U.S. Tactical Air Command as an air superiority fighter. It is in the Mach 2.5 class (2½ times the speed of sound), powered by two Pratt and Whitney engines developing 50,000 pounds of thrust in afterburners. This aircraft was demonstrated at the Farnborough Air Show in England about a year and a half ago after a non-stop unrefueled flight across the Atlantic, in itself very exceptional performance for a fighter. It can fire an improved radar-guided spiral missile, an infra-red sidewinder, as well as the M-61 cannon. It could be adapted to the Air Defence

Mission, with very little modification. The first operational wing is being built up today on the east coast of the United States.

The General Dynamics prototype, YF-16, is a good illustration of the increase in performance over previous-generation aircraft. It has excellent thrust-to-weight ratio. In this film we see the YF-16 passing 7,000 feet and accelerating before the F-4 got off the runway. It is powered by the same engine as in the F-15. It is Mach 2, just slightly better than twice the speed of sound, capable of firing an infra-red sidewinder as well as an M-61 cannon, and is in-flight refuelable. Some modification would be required to the fire-control system to give this aircraft an all-weather capability. Either the F-15 or the YF-16 could, with some modification, fill our requirement for a replacement interceptor.

That is a quick over-view of a rather complex two-nations command. I hope we have given you some idea of where we are and where we think we are going in the strategic defence of this continent. I will now ask General Stovel for some closing comments.

GENERAL STOVEL:

Ladies and gentlemen: I often have to give this presentation by myself, but when the pros are here, I think you will agree, you in the audience get the break. The team and I will be available here for any of you who might like to ask questions.

I would like to leave you with one or two thoughts. Remember, I am biased. Remember, I will have when I retire this September spent over 35 years in the old Royal Canadian Air Force and now the Canadian Armed Forces, and I will have had six years involved in this tremendous partnership.

Some think that a Canadian is over-run by a four star American General. There is no truth to such a thought. My present boss is away probably more than half the time, which places the Canadian in command of the entire system that we discussed today. Canadians are intertwined throughout the whole system. I wish that many of you could go to the U.S. sites in the radar field to find how highly respected are the Canadians, the corporals and the sergeants, who work in those regions. They are the pros of the co-manned units.

The five-year agreement on NORAD was signed last May, as you know. I am told that the government at the time was even considering an open-ended agreement where if one or the other partner decided "No Go", one could opt out. To me, that shows a healthy change from the time when the agreement was renewed for a mere two years. It allows us, as Canadians, through the use of those tremendous new developments in equipment, to see precisely and immediately what is going on in the entire world. Without this NORAD partnership, that would not be possible.

General James, as some of you may have seen, spent some time with Patrick Watson a month or so ago. He has come to Canada twice, and he is programmed to come three times more in this next year. As you can imagine, he is asked by everyone to come and speak, not only on behalf of NORAD but on behalf of his race in the United States. It is a great privilege for me to have, in my last days, an opportunity to work for him. It has been a pleasure and an honour to attend this Empire Club luncheon. Thank you for your hospitality.

Our distinguished guests and speakers were thanked, on behalf of the audience, by Brig. Gen. Reginald W. Lewis, C.D., Third Vice-President of The Empire Club of Canada.

MARCH 11, 1976

The Invisible Giant

AN ADDRESS BY Alan A. Horsford,
PRESIDENT AND CHIEF EXECUTIVE OFFICER,
ROYAL INSURANCE, CANADA

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Mr. Minister, ladies and gentlemen: We bid you a cordial welcome to this luncheon meeting of The Empire Club of Canada.

I suspect that everyone in this audience will have more than a nodding acquaintance with the subject under discussion today. I work for the insurance industry in the sense that a substantial part of my salary cheque is paid over to them for insurance in one form or another, but I am not paid to work for them. Always interested in first principles, I turned to the Shorter Oxford for a definition and there I read that insure means "to secure the payment of a sum of money in the event of loss or damage to property, or of the death or disablement of a person, in consideration of the payment of a premium and observance of certain conditions." Comes the tail, comes the sting!

I suppose most of us subscribe to the biblical admonition that one ought to be one's brother's keeper and embrace the entirely humane principle of loss distribution. The substantial hikes in my premiums lead me to believe that some of my brethren are pretty expensive to keep! I'm sure that our distinguished visitor and guest speaker today will discuss and justify these increases.

The observance of conditions referred to in the definition is a sobering reminder that money is to be paid on terms and that insurance is a contract of indemnity and not a lottery. I'm sure that Mr. Horsford will remind us that insurance companies pay on the basis of legal liability and have no obligation to function as charitable institutions. But the concern of the industry is to streamline the settlement of disputes with policyholders about claims and this is the basis of the timely experiment being conducted by Mr. Horsford's company in establishing ombudsmen or arbitration proceedings. He will be telling about this.

Our distinguished speaker was born and educated in England and joined the Royal in 1951. After holding a number of appointments in both the head office for the United Kingdom and the Royal Group's world-wide headquarters, he became Secretary of the Royal Group in 1970. In April 1972, he came to Canada as senior Deputy General Manager for Canada and in May 1974, he was appointed President and Chief Executive Officer, Royal Insurance, Canada.

He is a fellow of the Chartered Insurance Institute, a director and member of the Executive Committee of the Insurance Bureau of Canada, a director and member of the Executive Committee of the Insurers' Advisory Organization, and Vice-President of the Insurance Institute of Ontario.

I am privileged to introduce Alan A. Horsford, President and Chief Executive Officer, Royal Insurance, Canada, and to call upon him to address us.

MR. HORSFORD:

Mr. Chairman and members of the Empire Club: Thank you for the welcome that you have just extended to me.

Alan A. Horsford,
President and Chief Executive Officer,
Royal Insurance, Canada.

I must say it is delightful for any guest speaker to know that he has pleased much of his audience before he even gets to his feet. It seems that I've managed this neat trick by deciding not to talk about either the activities of the Anti-Inflation Board or the strength of the free-enterprise system vs. creeping government control. Both subjects are very important, of course, but there is a limit to how much can be absorbed about them. I understand that so far as guest speakers on these topics are concerned, you reached your limit some time ago.

I cannot resist, however, telling you of a quotation that I came across when preparing for this talk, because it might explain a great deal of what has happened since the beginning of the year. It is from another book by a friend of ours, Professor J. Kenneth Galbraith, in which he says: "Clear and unambiguous statement may not be the best medium for persuasion." It seems that some people have taken that lesson from him to heart.

In that very kind introduction, there was a reference to my being an executive. As you know, an executive has been defined as someone who talks to visitors whilst the staff get on with their work. Worse still, I am an economist by training, and we all know about that profession's lack of contact with reality. Professor Milton Freedman, an economist himself, once illustrated that fact with the following story. A chemist, a physicist and an economist were stranded on a desert island. They had nothing but canned food and no can opener. The chemist said that if they lit a fire he could calculate the degree of heat needed for the cans to burst open. The physicist said that if the chemist did that, he could calculate the trajectory of the food as it shot out of the can so that they would be able to stand in the right place to catch it. The economist said he couldn't understand what all the fuss was about. The answer was perfectly simple. Why not just assume that they had a can opener?

However, worst of all my qualities is that I clearly have the distinction of being a master of bad timing, as is demonstrated by my choosing to speak about "the invisible giant" in a week in which the Anti-Inflation Board announced that it was studying whether to make the general insurance business subject to the anti-inflation guidelines in view of the large volume of complaints from the public. On the other hand, perhaps the circumstances underline my choice of title, since it seems that the Anti-Inflation Board is unaware that the 26 leading general insurance groups are already subject to the legislation, and of the 117 Canadian companies which are required to give 30 days pre-notification of price increases, six are general insurance companies.

You mentioned, Mr. Chairman, that I might be referring in the course of what I have to say to my own company, but I am going to disappoint you in saying very little about the Royal Insurance Company. There are a number of businesses which, by their very nature and importance affect almost everyone, young and old. Food is one, of course; housing is another; the clothing industry another. But there is another business which pervades every aspect of Canadian society, and of course I refer to the general insurance business, or what we choose to call property and casualty insurance, to make the distinction between that and life insurance.

This business, the providing of insurance protection, either for your home, automobile and cottage, or for your particular business activity, or more likely for both, touches every adult in Canada in one way or or another. We all have possessions we are anxious to protect. We all expose ourselves to potential liabilities in our daily activities, whether by driving an automobile into the city or simply by driving a hard bargain. We are surrounded by uncertainty. There are enough risks in our daily life to satisfy even the most daring. And yet, despite the pervasive nature of the services provided by the property-casualty insurance business in Canada, it is a fact that it remains a largely invisible giant.

A famous English statesman once said that there is nothing as uncertain as a figure unless it is a fact. Nevertheless, I should like to give you some figures and facts to provide some dimensions and shape for the invisible giant.

If I were to ask the average Canadian to compare the size and annual income of the life insurance industry with the property-casualty insurance industry, he would probably judge that the life insurance industry was the larger undertaking of the two by a considerable margin. This is a perfectly understandable impression, for the life insurance business in Canada is dominated by highly successful Canadian companies. It has an enviable measure of financial strength and responsibility and has built for itself, worldwide, an image of solid reliability. However, it is a surprising fact that the annual sales volume of the property-casualty insurance business is considerably greater than that of the life insurance industry.

In 1974, for example, life insurers' net sales (and I carefully avoid the use of the word premium) totalled $2.9 billion, whereas property-casualty insurers did more than $3.8 billion worth of business. This year, we fully expect that total to exceed the $5 billion mark. Of course, a good part of that addition will come from the changes that have occurred in British Columbia! Unlike the life insurance industry, much of this money is in and out of our hands in the same year. But I estimate that the flow of investable funds is now running at a rate of three-quarters of a billion dollars per year, whilst the total invested assets of the property-casualty business exceed $5 billion.

It is important, from the point of view of our policy holders, that these investments are made as efficiently as possible, but of course there is also a responsibility to maintain a reasonable relationship between the spread of investments across the country and the geographical source of the insurance funds. Most major companies, and indeed I believe the industry at large, pay special attention to this particular aspect as part of their social accountability.

Companies are not free to dispose of the funds as they wish. Instead, those funds have to be invested in accordance with the very clearly defined statutory provisions contained in the various Canadian insurance acts. There is a particular feature of the statutory provisions which has a wider significance for the financial community in

Canada. That is the requirement that common stock must not exceed 25% of total assets on a book value basis. This inhibition on the flow of funds into common stocks has been the subject of industry representations to the federal authorities for some upward adjustment of that percentage. Mind you, we didn't press the case very strongly in 1974! But over the longer term, we still feel that a change is both desirable from our point of view and also beneficial for the Canadian economy.

General insurance is conducted through more than 300 federally and provincially licensed companies, although this total includes companies in common ownership. Even so, there are more than 175 competing enterprises providing a fragmented marketplace, not dominated as in some industries by a small number of very large units, and one in which the biggest company has only a slim 7% of the total market.

Companies are either direct writers such as Allstate and State Farm, or agency companies who sell entirely through independent professional agents and brokers, of whom there are some 15,000 licensed across Canada. In many cases, I have to confess, these agents and brokers are the insurance industry as far as their customers are concerned and the company itself is invisible.

Let me try to put another dimension to the industry, and that is the total number of people employed. I am afraid there is no single source for this information, and so with the help of some of my colleagues we have done some estimating. As a result we have concluded that taking all the various segments of the industry, i.e. companies, agents, brokers and adjusters, our business employs at least 100,000 people across Canada, or 1% of the total work force. Obviously, that is no modest undertaking.

Having provided a bare-bones framework for the invisible giant, I should like in the remaining time to fill in just a few of its features. The first is that, unlike the life insurance business, the property-casualty insurance industry in Canada has not been dominated by Canadian companies. In fact, the historical development has been quite the reverse. A major part of the industry has been, and still is, foreign owned, operating until a few years ago at any rate what was essentially a branch-plant operation. As a result, there has been an almost total lack of opportunity for Canadians to take a significant financial interest in the industry. This is nowhere more clearly evidenced than in the absence of any general insurance company from the lists of leading companies that are constantly being compiled by the financial press.

However, the character and composition of the industry is undergoing a period of fairly rapid change just now. Many companies are converting from a branch to a Canadian domestic operation, with the elimination of branch activities. This is being done as a first step towards local financing, and in turn this should hopefully provide eventually for a greater share of Canadian ownership in the business.

In this the timing is good, because this evolutionary stage in the industry has come when the demands being made on it for greater and greater amounts of insurance protection have never been more insistent. Canada's economy is showing impressive growth. It is becoming increasingly sophisticated and diverse, and this is inevitably reflected in a large and growing appetite for all forms of insurance protection in both monetary and real terms.

It is quite obvious that the industry's financial resources must match the rapid development of this country's economy, if we are to achieve proper recognition as a responsible and significant segment of the financial community. And yet we face some problems.

First, is the current severity of the solvency requirements of the federal authorities for the protection of Canadian policy holders. These require general insurance companies to maintain a significant margin of recognized assets over clearly defined liabilities. It is difficult to make accurate comparisons, between one jurisdiction and another, but to give you a perspective, companies in the United Kingdom have to maintain free resources, that is resources over and above the liabilities as they are measured, equivalent to 10% of their premium income. In the European Common Market the margin is 16% of premium income, whereas currently in Canada it is between 20 and 25% of premiums. This provides enormous financial security for Canadian policy holders, but whereas the margin in the United Kingdom is now recognized to be too low and is being changed, there is ample evidence to justify some relief in the other direction in Canada.

I am pleased to say that there is an acknowledgment of the situation by the federal authorities and it is likely that legislative changes will be made before long.

At this point I should perhaps underline the importance of what I have just been saying because it does mean that, contrary to what some politicians say, the money that people pay in premiums to the general insurance industry stays in Canada and is used in Canada. It is not drained away to some other part of the world.

Whatever change is made in the solvency requirements, it is still necessary for the industry to generate an increasing total of free resources if it is to respond in a constructive way to the increasing demands of our growing economy.

There are only three sources for such funds: retained profits, appreciation of investment portfolios, and the raising of fresh capital. The last one is of limited value until the organizational changes to which I referred just before have been developed to a greater extent.

Investment appreciation is, after the experiences of 1974, less reliable than we thought, which leaves us with retained profits. As you know, the industry has just come through a cyclical down-swing which we hope bottomed out in 1974 when, for the first time for many years, the industry had an over-all operating loss. We believe that there has been a limited recovery in 1975 but it is too early yet to have industry aggregates to confirm this. Nevertheless, the importance of adequate retained profits cannot be over-emphasized if the industry is to have the financial resources to meet the demands which are going to be placed on it as the Canadian economy grows.

Another feature of the industry is that it has two distinct streams of income: one from underwriting activities and the other from investment earnings on the funds generated. In the past, in my opinion, we made a mistake as an industry in not disclosing investment income which the public came to believe was a crock of gold. All that is past now. Full details are published regularly in the quarterly bulletin of Statistics Canada on financial institutions. They are even accompanied there with a pretty chart devoted to the subject. There is one benefit from this disclosure. At least we can now provide an honest answer to the question, "If you are losing so much money on your underwriting, why do you stay in business?" The answer is simply that what we lose on underwriting is more than made up by what we earn by way of investment income, or has been except for that disastrous year 1974.

A particular complication for the industry is that whereas financial solvency is a federal responsibility, pricing and availability of market are primarily a provincial concern, and the possibilities for conflict are self-evident.

Pricing for general insurance is an extremely interesting feature, since the industry is one of a unique group where the price has to be established before the cost of the raw materials is known. It is virtually on its own in the sense that it has such a limited ability to influence the cost of the materials, by which I mean such items as new automobiles, spare parts for automobiles, hourly labour costs for garage repairs, building and redecoration costs, court awards and medical expenses.

We could, of course, try to band together to control hourly wage rates for repair work, but it is likely that we would quickly be faced with charges of discrimination and offences against federal combines legislation. We could, of course, try talking to judges about court awards, but talking to judges does not seem to be very popular at the present time.

The length of exposure to a fixed price under a typical general insurance contract is also unusually long, and this is often not appreciated. Let me give you an example with reference to the increase in prices that has occurred recently. In this province automobile insurance prices were last adjusted in July, 1975. The work on the measurement of the increases needed at that time was completed in April of that year. Those prices hold good for all contracts issued or renewed until June 30, 1976, and a contract (insurance policy) issued on that day runs for a further twelve months until June, 1977. That is not the end of the story. You would be surprised at the length of time after the termination of a contract period in which we continue to have losses reported to us. A further twelve months for automobile insurance would not be unusual. This takes us to June, 1978 on prices established in April, 1975.

It will be clear to you from this that our business is peculiarly vulnerable to the acceleration in the rate of inflation. This is a large part of the explanation of the difficulties we have been experiencing since 1973, when the inflation rate jumped from 6% to 9% to 12%. Whatever it is running at now, it is still double digit. It also explains why, as an industry, we give our wholehearted support to the general objectives of the federal authorities in seeking to contain the impact of inflation.

Clearly, our pricing activities involve a large element of judgment, and whilst we can try to estimate with reasonable accuracy the likely total dollar value of losses that will have to be paid, whether it be for automobile insurance or home owners insurance, we cannot identify the individual policy holders who will be faced with a loss. This is the simple answer to those who inquire why the price of *their* insurance increased, although they have had no claims. We can only mitigate the impact of increases on them. We cannot insulate them altogether, if there has been a general increase in the total expected payment of losses.

In this rather sketchy commentary on our pricing practices, I believe we can also find an explanation in large measure for the number of complaints which the Anti-Inflation Board is receiving about price increases for automobile and residential insurance, because as you know after food prices the largest number of complaints is being made about these two services. In most instances, the change which is being complained about was introduced well before the federal government's announcement last October, but the annual cycle of insurance renewal which began before that date is still underway, and I referred to the increases introduced in this province in July, 1975 and which will not have worked their way through the full body of policy holders until June 30, 1976.

The situation is compounded, of course, in the residential property insurance area because our practice until recently was to issue contracts for three years, and it is therefore perhaps understandable that someone who last bought their insurance in 1973 is surprised by the premium being asked in 1976. Again, a part of the additional cost is no more than a reflection of the much higher property values which now prevail.

Provincial involvement in our business provides another example of our invisibility or apparent invisibility. I hope that my distinguished fellow head table guests from the government of Ontario will forgive this example. Douglas Carruthers was appointed by the Ontario government to carry out a study of the insurance industry, both life and property-casualty. He recently completed his work, and has put forward his recommendations in the form of a revised model for our business.

This model contains many significant and far-reaching proposals. It is therefore a matter of surprise and concern to executives in the property-casualty industry that as far as we are aware Mr. Carruthers had no contact whatsoever, either with our trade association, the Insurance Bureau of Canada, or with any of the major companies in the market in the course of the several years he spent on his research. There may well be an adequate explanation for this approach, but I must confess I find it extremely difficult to fathom.

As I have been talking, I may have conveyed to you the impression of a rigidly controlled industry whose solvency is exhaustively checked, whose pricing is monitored, whose investments are specifically channeled by government. While I think there is an element of truth in that, I do not wish to give you the impression that because of this competition is either stifled or low key. Nothing could be less correct. The property-casualty insurance business is without a doubt one of the most intensely competitive market arenas anywhere. This competition provides adequate safeguards for the consumer to ensure that any very profitable upswing in the underwriting cycle is extremely limited in duration.

An extraordinary feature of the invisible giant is the amazing durability of some of the popular misconceptions about it. For example, a widespread misconception is that acts of God are not covered by insurance. This is manifestly not true, since many so-called acts of God can be protected against by insurance — lightning, hail storms, tornadoes, earthquakes and hurricanes are some.

Recent events in New Brunswick provide a practical illustration, for the hurricane-speed winds which hit that province at the beginning of February caused severe damage. Preliminary estimates indicate that insurance companies will likely be paying more than $10 million in loss settlements. In one respect, however, this unfortunate event underlines my title, because when it occurred the companies principally involved in that market rushed extra staff to the spot, placed advertisements in the local newspapers drawing attention to the procedure for reporting losses, and everything possible was done to accomplish speedy and equitable financial recompense for that act of God.

A similar event in the United States or in the United Kingdom would have been reported in both the newspapers and on television, with an accompanying reference to the insurance position and the likely loss payments that would arise and which the industry would have to meet. In Canada, however, whilst the story was on the front page of the newspapers across the country and on television, the prompt response of the property insurance companies was totally ignored.

Returning for a moment to the general subject of paying losses, which is the business we are in, it is strange indeed that I can think of no other business which is so regularly accused of not wanting to do the job for which it was created. In our case, I am afraid, we were hung with this albatross a long time ago, and like the Ancient Mariner we find it hard to get rid of.

For interest's sake I obtained from our statisticians the information that insurance companies in Canada pay out $100,000 in automobile losses every hour of every day of every week throughout the year. That figure speaks for itself.

I would like to make a further point, and this relates to something which your chairman said in his introduction. It is a point which frequently seems to escape our critics. It is simply this. The money we use to pay losses is supplied by all our policy holders including those, and there are many, who have never had a claim. In effect, we hold the money in trust. This places a heavy responsibility on insurance companies to see that whilst losses are handled equitably and quickly, at the same time the funds are not subject to abuse by being handled, or dealt with, or paid out irresponsibly.

At any earlier stage of my remarks I commented on the rapid development of the Canadian economy, with its increasing diversity and sophistication. The potential for further growth is enormous. What is equally certain is that the demands on the general insurance industry will grow at the same pace. The challenge we face today, then, is to show the same growth in sophistication, the same growth in diversity, so that we can play our proper role in the financial community of this country. I believe we can and will respond to that challenge.

Our distinguished speaker and guest was thanked on behalf of the audience by Mr. R. Bredin Stapells, Q.C., a Past President of The Empire Club of Canada.

MARCH 18, 1976

Basic Truths of the Middle East Conflict

AN ADDRESS BY His Excellency Mordechai Shalev,
ISRAELI AMBASSADOR TO CANADA

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Your Excellency, ladies and gentlemen: We bid you a cordial welcome to this luncheon meeting of The Empire Club of Canada.

The notice calling this meeting, which you will have received, stated that:

> Israel is only a dot on the planet but what a shadow it casts. It gets all the attention of a large nation. The whole world watches anxiously at the relations between little Israel and her oil rich Arab neighbours. The Great Powers have taken sides, the United Nations is sprinkled with Middle East problems. This is one of the most explosive areas in the world.

In these awesome circumstances, the burden of waging the peace falls heavily on the leaders of government and the career diplomats both at home and abroad. It is comforting to us and to the world at large that these people, in the best traditions of the Jewish race from time immemorial, have ranged themselves under the banners of peace and the rule of law so far as it in them lies and consistent with their own honour and survival.

In opening for the prosecution at Nuremburg, Robert H. Jackson said:

> Civilization asks whether law is so laggard as to be utterly helpless to deal with crimes of this magnitude by criminals of this order of importance. It does not expect that you can make war impossible. It does expect that your juridical action will put the forces of International Law, its precepts, its prohibitions and most of all, its sanctions, on the side of peace, so that men and women of good will in all countries may have the right to live by no man's leave underneath the law.

We welcome today Israel's new ambassador to Canada, His Excellency Mordechai Shalev. He was born in Czechoslovakia and, after taking his first degree in Masaryk University at Brno, he settled in Israel in 1939.

From 1942 to 1946 Mr. Shalev served in the Jewish Brigade of the British Army and in 1948-49 with the Israel defence forces with the rank of major. He joined the Ministry of Foreign Affairs as a career diplomat in 1949. He has served that Ministry in its relations with the United States as Second Secretary and First Secretary of the Embassy in Washington, in the U.S. Division at home, as Consul General in Los Angeles and, prior to his posting in Canada, was Minister (Deputy Chief of Mission), Embassy of Israel in Washington. During his term of office in the U.S. Embassy he took his Master of Arts degree in International Affairs from the American University, Washington.

He has also served as Ambassador to Ghana, and Director of both the Consular Division and African Division of the Ministry for Foreign Affairs.

It is a privilege to introduce His Excellency Mordechai Shalev and to invite him to address you.

His Excellency,
Mordechai Shalev,
Israeli Ambassador
to Canada.

HIS EXCELLENCY MORDECHAI SHALEV:

I am grateful for this opportunity to present to this distinguished gathering an up-to-date account of the situation in Israel and the Middle East. In my remarks, I may well be repeating some basic truths with which you are quite familiar, and I shall do so in the hope that the truth, if repeated often enough, also stands a chance of being accepted.

Let me first try to answer the most basic question of all — why is there no solution yet to the Arab-Israel conflict? The answer to that question is really quite simple: the Arab States have not yet accepted the existence of a free and independent Jewish State in the Land of Israel as an unalterable fact. All the wars that they have launched against us, all the propaganda campaigns that they are conducting, all the anti-Israel resolutions that they are steamrollering through the United Nations and its various agencies, all derive from a basic Arab purpose, to eliminate the State of Israel from the map of the Middle East.

There may be some Arab countries whose leaders realize that the elimination of Israel is not a practical goal at this time. I am even ready to go a step further, and concede the possibility that there are Arab leaders who no longer consider the elimination of Israel as a realistic policy at any time, now or in the foreseeable future, but even they are not prepared, or are not capable of giving that realization on their part a convincing practical expression in the readiness to make peace with Israel. Even President Saadat of Egypt, who admittedly has gone farther than any other Arab leader in speaking about peace with Israel, relegates peace to the "next generation".

So, the answer to the basic question is there is no peace in the Middle East, no peace between the Arab States and Israel, because the Arab States do not want peace.

There are many things that they do want from Israel, but they do not want peace with it. That is the crux of the problem. Indeed, this has been the problem throughout the period of Israel's existence. It began even before the State of Israel came formally into being some 28 years ago.

In 1947, the UN decided on the partition of Palestine, or rather of what remained of the British Mandate of Palestine after the British had arbitrarily cut off a major portion, and created Transjordan out of it, and called for the creation of a Jewish and Arab State. Israel, the Jewish People, accepted this decision, even though it fell short of our needs and hopes and expectations. We accepted it for the sake of peace. The Arabs, rather than set up their own State, went to war against Israel to prevent its establishment, and when they failed in that, to bring about its destruction. They failed in that, too, but they did not make peace with Israel. An armistice was created and that turned out to be only a fragile instrument, to be violated again and again, in 1956, in 1967 and in 1973, the years in which the Arab States time and again launched wars against Israel to achieve their initial purpose of destroying the Jewish State.

It is important to recall this experience of the past 28 years in order to put into proper perspective the reasons that are sometimes put forward today for the absence of peace, by Arab spokesmen, and sometimes even by people of good will who are impatient with the present situation and think that quick solutions are available which do not call for a basic change in the Arab attitude. There are some who say today that Israel has to withdraw from the territories it occupied in the Six-Day War, and the road to peace will be open. But before 1967 there was not a single Israeli soldier on the West Bank, or in the Gaza Strip, or on the Golan Heights; so why did the Arabs launch the 1967 War, unless it was for the purpose of destroying Israel? Another point put forward is that there must be a Palestinian State. Again, what prevented the Arabs from creating a Palestinian State, in addition to Jordan which was already in existence, when the Partition Resolution called for such a state in 1947? Or, for that matter, in all the period up to 1967, when the West Bank and the Gaza Strip were in Arab hands, why did they not then create a Palestinian State there?

And there is that vague, but in reality most ominous demand of all, the so-called "rights of the Palestinians". When you ask an Arab leader what his conditions are for peace with Israel, if he is at all ready to address himself to that very hypothetical question, his answer is that Israel has to withdraw from all occupied territory and "the rights of the Palestinians have to be satisfied". In other words, even withdrawal from all occupied territories would not bring about peace, there would still be "the rights of the Palestinians" to be fulfilled. None of the Arab leaders spells out just what he means by that catch-all phrase, especially when he addresses himself to Western audiences; that job is left to the Palestine Liberation Organization, which makes no bones about its intentions to eliminate the State of Israel and replace it by a "secular and democratic state".

That is another one of those code-words that the Arabs have introduced into their anti-Israel propaganda and which they use to hoodwink and mislead an often too gullible Western public. In the so-called "Covenant" of the Palestine Liberation Organization, they make it quite clear what they mean by a secular and democratic state. It is a state from which most, if not all, Jews would be expelled. Sometimes the PLO spokesmen are less delicate in their prognosis of things to come, if they were to have their way, and speak of a fate that would befall the Jews of Israel that would be reminiscent of Hitler's Final Solution.

It is amusing, to say the least, that the Arabs who rule over twenty countries, none of which is either secular or democratic, should even dare to use that phrase. There was one state in the Middle East which had a sort of working democracy, and in which a Christian community has been fighting for its survival. Lebanon is a tragic example of the Arab concept of secularism and democracy.

I have given you a short summary of what the Arab demands and intentions have been throughout the years of Israel's existence. As I have mentioned, they have tried for most of these years to achieve their aims by the force of arms. At all times they have also conducted incessant political and economic warfare against Israel. In recent months, their political and diplomatic campaign against Israel has reached new lows. The most infamous example of all was the UN General Assembly Resolution, in which Zionism, the national liberation movement of the Jewish people, was branded as a racist movement.

There is hardly any international meeting which the Arabs do not use to try to heap calumny and vilification upon Israel, to defame and slander our country, its institutions and leaders, and to distort historical facts. In this, incidentally, they have had the support and advice of experts. The Soviet Union has not only supplied the Arabs throughout the years with vast arsenals to enable them to commit aggression against Israel, but has also given them freely of its own know-how in the art of slander and the perversion of history, in the technique of the big lie, of turning black into white and white into black. It was the Soviet representative, the representative of the country which in 1939 made a pact with Hitler, who first insulted Israel and the most elementary standards of common decency by comparing Zionism with Nazism.

Israel, for its part, has at all times been ready to make peace with the Arabs, and to settle all outstanding differences by negotiation, the accepted practice of international relations. For example, after the stupendous victory of our forces over the combined Egyptian, Syrian and Jordanian armies, in June 1967, we called immediately for a negotiated settlement. The Arab reply soon came — no recognition of Israel, no negotiation, no peace. And within a few years they attacked Israel again in the Yom Kippur war. Initially the Arabs had every advantage in that war, a vast preponderance of forces and sophisticated Soviet arms, and the incalculable element of surprise. And Israel suffered serious losses. But within a few days the tide that was designed to engulf Israel was reversed, and our armies threatened the capital of Syria in the north and were on the road to Cairo in the south.

At this point, October 21, 1973, a ceasefire was negotiated in Moscow by the U.S. Secretary of State. From the Soviet point of view, the purpose of the ceasefire was to save the remnants of the Egyptian and Syrian armies and the remnants of Soviet prestige. For the United States, I think it is fair to say, the purpose was to bring an end to the fighting, but also to do so in a manner which would enable a process of negotiations to develop, leading towards a peace settlement. The favourable military conditions that Israel had created enabled the U.S. to extract from the Soviet Union and from Egypt and Syria a paragraph in the Ceasefire Resolution (Security Council Resolution 338) calling for "negotiations ... between the parties concerned ... aimed at establishing a just and durable peace in the Middle East". It is this undertaking that provides the basis for whatever progress has been achieved in the Middle East towards peace. The Geneva Conference, the disengagement agreements with Egypt and Syria, and the Interim Agreement with Egypt signed last August and recently carried out by Israel and Egypt, are all based on this paragraph in Resolution 338, and are part of the negotiations for a just and durable peace in the Middle East.

There is now an effort underway, spearheaded by Syria and sponsored by the Soviet Union, to destroy even this flimsy basis for peace negotiation. It took a veto by the U.S. in the Security Council last January to prevent Resolution 338 from being disavowed by the very body that created it. The Syrian purpose, of course, is to rid itself of its obligation to negotiate peace with Israel, and to have instead the Security Council impose a settlement on Syrian terms, which whatever else it would contain, would not provide for peace with Israel.

Egypt, on the whole, has co-operated with the U.S. efforts, and therein lies a ray of hope for the future. Not that Egypt has made any sacrifices in the agreements that she has made with Israel. In the Interim Agreement, the Sinai Agreement signed last August, it was Israel that gave up strategic positions in the Sinai, and the great economic asset that she held in the Abu Rudeis oilfields. Egypt's "concession", if concession it was, was to permit the passage of Israeli cargoes, not Israeli ships, through the Suez Canal, and the continued annual extension of the UN Emergency Force for the next three years at least. There was also some undertaking on the part of Egypt to relax the continued diplomatic onslaught on Israel and other anti-Israel practices. These undertakings have largely been observed in the breach. Nevertheless, we do not minimize the signs of change that are perceptible on the part of Egypt, although they are still a long way off from a clear readiness to negotiate a final peace treaty with Israel.

But the major concessions have been made by Israel and they should be enough to refute allegations that it is Israel which is "dragging its feet" or "playing for time". There is a fundamental difference between the position of Israel and that of any Arab country; indeed between Israel and *any* other country. No other country faces the dangers that Israel does; no other country faces a similar coalition of forces, military or political. No other country takes the risks that Israel takes when it withdraws from vital military and economic positions as we did in our agreement with Egypt. It is only natural, it is in fact our duty for the very future of our country, to conduct such negotiations with the utmost care and deliberation. For Israel, the margin of permissible error is extremely narrow, and whatever we decide is at best a choice between a greater or a lesser danger. This, too, should be borne in mind by anyone presuming to judge Israel's actions.

Even at this moment we are not standing still in our quest for peace. In the wake of Prime Minister Rabin's visit to Washington last January, we have agreed that the U.S. sound out the possibility of new agreements with each of the Arab States that fought Israel, Egypt, Syria and Jordan, agreements which would once and for all put an end to the state of war between us, even if they are not ready for full peace and all that this implies. Presumably this would entail further Israeli territorial concessions, although nothing has yet been spelled out.

In mentioning the United States, I must of course point out that the U.S. has played a major role in all the positive developments that have taken place. The U.S. has also greatly helped in keeping Israel militarily strong, by generous financial and military assistance. As you may have noticed, this has not made Israel blindly subservient to American desires and American policy; indeed, I doubt if America would want to deprive Israel of its freedom of action and, primarily, of its own responsibility for its fate. In playing this role, including the generous measure of support for Israel, the U.S., I believe, has not been the loser. Its relations with the Arab countries are today much better than they have ever been, politically and economically, in spite of its close and very meaningful ties with Israel. There is a lesson there for some countries, who abjectly caved in in the face of Arab threats and Arab pressure, and overnight revised their friendly attitude to Israel.

We do not ask any country to forego its ties with Arab countries, so long as this is not done at Israel's expense and not at the expense of truth and justice and international morality. I cannot deny the power and lure of the vast Arab resources of oil and petrodollars but I should think that any self-respecting country, any country that conducts its affairs on the principles of democracy, of morality and of law, indeed any country that cherishes its independence, would not permit its policy to be swayed by considerations of momentary material gain or advantage. That also implies that decent countries should vigorously oppose the various manifestations of the anti-Israel campaign, wherever it rears its ugly head.

For the past few months I have had the honour and privilege of representing my country in this great democracy, and I have come to appreciate the sincere and genuine friendship that lies at the root of Canadian-Israel relations. It is natural that the Jewish community of Canada should maintain very special ties with Israel and take a very active and impressive part in the reconstruction of our ancient homeland and the rehabilitation of its people. But I find friendship and understanding for Israel in every walk of life, and the few exceptions that I encounter only prove that general rule. In my contacts with the government leaders, with members of Parliament of all political parties, I find deep concern for the problems that Israel faces, an unalterable commitment of strong support for Israel, and for the principle that any settlement of the Middle East problem must be freely negotiated between the parties concerned. I also find a readiness to explore new avenues of co-operation between our two countries, in our economic relations, in academic exchange and in a variety of other fields, and my colleagues and I shall do everything possible to add new contents to the existing network of relationships.

Let me also convey to you that in Israel there exists great sympathy for Canada and for its people. We have recently had the privilege of welcoming to Israel the Canadian Minister for External Affairs, and I am sure that during his short stay, Mr. MacEachen must have sensed the great popularity that Canada enjoys among the people of Israel. Friendship, however, must never be taken for granted and must be nurtured and sustained by word and by action. Thank you, therefore, for affording me this opportunity today to make this modest contribution to your understanding of Israel's position, and thereby also to the abiding friendship between our peoples.

Our distinguished speaker and guest was thanked on behalf of the audience by Mr. Leland H. Ausman, Secretary of The Empire Club of Canada.

MARCH 25, 1976

Health Care in a New Society

AN ADDRESS BY Dr. Iain A. D. Todd,
VICE-PRESIDENT,
ONTARIO MEDICAL ASSOCIATION

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Ladies and gentlemen: We bid you a cordial welcome on this fine spring day to the luncheon meeting of The Empire Club of Canada. This is health sciences day at the club and I am eager to have you meet our distinguished head table guests.

I suspect that if our distinguished guest and speaker had had any choice in the matter, he would not have chosen on this occasion to put his life and reputation in the hands of a lawyer. Also, I think it only fair to Dr. Todd to add that I intend to postpone any reversal of these roles for as long as possible. In the mid-seventeenth century, Thomas Fuller wrote that "commonly, physicians, like beer, are best when they are old; and lawyers, like bread, when they are young and new." If that be right, it is an unhappy circumstance in the fates of chronology that you have been saddled with a young doctor and an old lawyer!

I would not wish in any way to anticipate what Dr. Todd may wish to say to you, and he certainly has not asked for my advice, so I shall not offer it. But I would, with respect, offer the advice of one of the greatest lawyers, Roscoe Pound, who in addressing himself to the question "What is a profession?" gave his own answer in these terms: "Historically, there are three ideas involved in a profession, organization, learning, and a spirit of public service. These are essential. The remaining idea, that of gaining a livelihood, is incidental." And that, in my opinion, is a much better and sounder view of the matter than the characteristic cynicism of George Bernard Shaw who said, but perhaps did not believe, that "all professions are conspiracies against the laity."

As one might have guessed from his name, Dr. Iain A. D. Todd is a Scot. He took his medical training at Cambridge and St. Thomas' Hospital Medical School in London and his surgical training at the University of Toronto. He was a travelling scholar for a year, studying surgical transplants and paediatric urology in England and on the continent and returned to the staff of Toronto Western Hospital where he performed the first renal transplant in the new series in Toronto. The present generation of renal transplant surgeons owes much to the pioneer work of the late Dr. Gordon Murray.

After joining the staff of Scarborough General Hospital in 1965 for two years, he then became chief of the urological service at the new Centenary Hospital in Scarborough.

Dr. Todd is a past chairman of the Ontairo Medical Association Section on Urology, a past chairman of the Urology Section of the Academy of Medicine, and a Past President of the Scarborough Clinical Society.

He was elected to the Board of Directors of the O.M.A. in 1971 and served two years on the Executive as Honorary Treasurer before his election to the office of Vice-President in 1975.

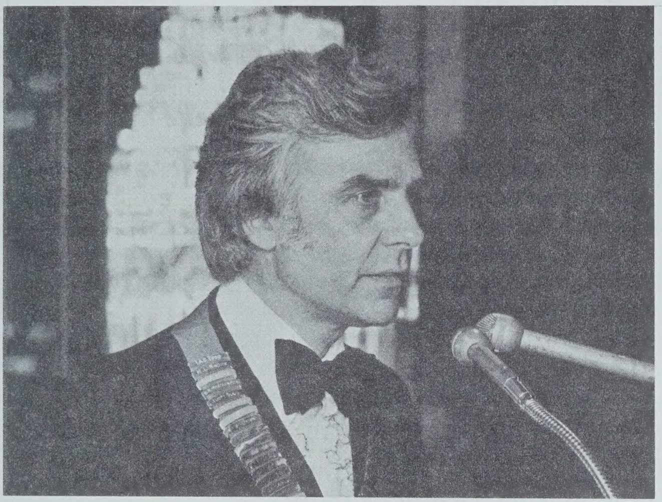
It is a privilege for me to invite Dr. Iain A. D. Todd to address us on the subject "Health Care in a New Society".

DR. TODD:

I thank you for this opportunity to share with you some thoughts about the new society that is being created for us and its effects on the physician — as a professional, as a provider of health services, as a major taxpayer and as a citizen.

If it seems presumptuous for a physician to address such an august body as the Empire Club on a predominantly social issue, let me assure you that I do so with some trepidation, and appropriate humility. But physicians traditionally have confined their public utterances to professional matters, and there is a growing feeling among doctors, which I share, that it is time for us to declare ourselves on social, economic and political issues. We dare to do so not because we have any special expertise in this area but because our professional lives, as well as our personal lives, have been changed dramatically by the new social order during the past decade. Indeed, the erosion of our traditional freedom, in terms of both professional practice and earning capacity, are such that we have the paranoiac feeling that our profession has been singled out from among all of Canadian society for extraordinary control.

Some of us in this room are old enough to remember the days when a person needing medical care sought out the services of a physician, and in so doing entered into an implied contract: the physician agreed to advise and treat the patient to the best of his ability, and the patient agreed to pay the doctor's account for those services. All this changed when government decided to take over our health service through the aegis of national health insurance. Now the physician agrees to advise and treat the patient within the limits allowed by OHIP, and the government, not the patient, agrees to pay the doctor a fee negotiated over the bargaining table. The patient's only obligation is to see that his OHIP premium is paid, by his employer, by the government or, in rare instances,



Dr. Iain A. Todd,
Vice-President, Ontario Medical Association

directly by himself.

If our paranoia about control seems unwarranted, let me tell you about some of the controls that have been imposed on our "free and unfettered" profession:

- We are now governed by the Health Disciplines Act, which requires the presence of non-medical persons on the Council and committees of the College of Physicians and Surgeons, the licensing and disciplinary body. It also provides for a Health Disciplines Appeal Board, made up entirely of people outside the health professions, to hear appeals from decisions of the Complaints Committee of the College.
- The Ontario Council of Health, senior advisory body to the Minister, is dominated by non-medical persons.

- The Hospital Appeal Board, which hears appeals from physicians unable to obtain hospital privileges, is made up mostly of persons distinguished by their service to hospital boards, which in these cases are the adversaries.
- The medical profession has only token representation on District Health Councils, which are to be the authoritative local bodies overseeing the delivery of health care in this province.
- And there is a "public presence", in the form of the chairman, at the bargaining table where the Ontario Medical Association negotiates OHIP payments with the government.

We hope that consumerism in the health care field eventually will prove to be more successful than it has been in other areas of endeavour.

We wonder about people on the one hand demanding industrial development to share the tax load and provide high employment and on the other hand demanding that government close down industries because they contribute to environmental pollution. And we wonder about governments that succumb to demands of environmentalists and require automobile manufacturers to reduce pollution emission of cars to the point where fuel consumption is a bad joke, only to be forced to make an about-face and require those same manufacturers to increase gas mileage to conserve fuel and prevent, or at least postpone, the extinction of the automobile in North America.

We also wonder about governments that become so carried away with their own rhetoric on the subject of health costs that they will resort to such extreme measures as closing hospitals. The closing of a hospital is a devastating blow to the community it serves. In most cases, hospitals were built by the community and at least part of the cost was provided through fund-raising campaigns and municipal debenture issues. If a hospital is closed the community may be left with an empty building which can be converted to other uses, but what of the millions of dollars' worth of equipment? More importantly, where will the citizens receive hospital care in the future, and how will those without cars get there? In small communities the hospital often is a major industry employing a significant proportion of the work force, and the closing of the hospital could be an economic disaster for the town. Doctors on the medical staff of hospitals to be closed must seek appointments at adjacent hospitals or leave the community. A small urban centre which loses its hospital will also likely lose its resident physicians because efficiency dictates that the doctor's office should be near his hospital.

I do not propose to debate whether this or that hospital ought to be closed. But I am quite prepared to debate whether the closing of hospitals is a proper course of action as a means of reducing costs.

Politicians and social planners throughout North America have been screaming for years about the "crisis in health costs", yet there is no evidence that a crisis exists, in Ontario at least, any more than a crisis exists in every segment of public expenditure. As proof I offer statements made a few weeks ago by the Minister of National Health and Welfare. He stated that Ontario's health-related expenditures have actually declined, as a proportion of the provincial budget, during the past decade. In the pre-medicare days of 1967-68, health-related expenditures represented 31% of Ontario's provincial budget, and in the current fiscal year, 1975-76, they represent only 30%. And as for physicians' services, the federal minister tells us that Ontario citizens in 1973, the last year for which figures are available, spent on physician's services precisely the same proportion of their personal income, 1½%, as they did in 1969, which was virtually pre-medicare.

I should point out that the federal minister gave out these statistics to refute an argument by the Ontario government that *its* contribution to medicare was rising. But when he was proposing legislation to control *federal* medicare contributions, the minister painted a quite different picture of rising costs.

So we have the federal government trying to back out of its commitment to medicare and the provincial government cutting services to reduce its commitment. Nobody bothers to ask the citizens whether they would prefer increased premiums, increased taxes or a re-allocation of tax money rather than a reduction of services.

Despite all the bleating about rising costs, our governments insist on maintaining their monopoly in the field of medical care insurance. The medical profession has been telling them since before the introduction of medicare that compulsory, state-run medicare is less efficient than the system that it replaced, in which the government looked after those in financial need and left the rest of us to buy our own protection, or to take our chances and pay our health costs as they arise. We still believe, with Abraham Lincoln, that "in all that the people can individually do for themselves, the government ought not to interfere". And events of recent years merely confirm our conviction that medical insurance, family allowances and all other welfare programs should be restricted to those in need. In these circumstances the tax-paying citizens can decide for themselves the quantity and quality of services they want, and how much they are prepared to pay for them.

Even now the government could allow private money into the system by restricting the benefits of medicare to a basic plan, as is the case with hospital insurance. There might be an extra charge for those demanding extra service, or a patient participation fee charged to everyone able to afford it. This kind of flexibility would make OHIP a better plan. Yet the government wants all doctors on the OHIP payroll rather than dealing with their patients, in spite of evidence produced during its early years that OHIP's average cost per patient was less when the doctor billed the patient than when the doctor billed OHIP.

There is a terrible touch of irony in all this. The governments which are perpetrating this cruel hoax of runaway health costs on the population at the same time are profiteering from the sale of alcohol and cigarettes, which contribute substantially to cause and the cost of illness in our country. The Ontario government alone takes in more than $500 million a year, half a billion dollars, from the sale of alcohol and tobacco. And the Ministry of Health goes to the extreme of closing hospitals to save $50 million, less than 2% of the health budget. To give another perspective, Canadians spend about five billion dollars a year on alcohol and tobacco, and that's as much as the federal government and all provincial governments spent on medicare cost-sharing from 1968 to 1974.

Governments are not alone in the field of public deception. Just recently a politician outside the government made headlines by misinterpreting a computer printout of our Laboratory Proficiency Testing Program, which the province's more than 500 laboratories participate in as a licensing requirement. The news media obediently published the politician's press releases, probably because he claimed that the computer printout, which is sent to all the labs, was a secret document, and because he talked to a few people and called it research.

The truth is that this proficiency testing program is the result of several years of development by my colleagues in the field of laboratory medicine, working through the Ontario Medical Association. Although it is still in its infancy, it is considered internationally as a model in peer review, and it will ensure that the quality of laboratory work is maintained at acceptable professional standards. Publicizing errors in test results might give the public some unwarranted fears about the competence of medical laboratories, but it will in no way improve that competence, which is the goal of our program. As a matter of fact, the politician's proposal to have all laboratory work done in government and hospital labs would solve nothing, for there is no clear pattern of proficiency separating these from the private labs.

There has been publicity recently about members of the medical profession allegedly receiving "kickbacks" from medical laboratories to which they referred their patients for lab tests. Several cases will be heard by the Discipline Committee of the College of Physicians and Surgeons of Ontario within the next few weeks, and I will make no comment on them. However, I want to assure you that the medical profession, through its Code of Ethics and regulations of the College, very clearly and firmly sets out a standard of conduct which prohibits the acceptance of "any commission or payment, direct or indirect", for any service rendered to patients by persons other than the doctor's own employees and professional partners.

One of the legal methods physicians use to improve their economic status is to acquire real estate, and while this is obviously a good investment it sometimes can create problems. For instance, one of my colleagues in the specialty of urology had acquired over the years a couple of apartment buildings, which he foolishly attempts to manage. One night he was awakened by a phone call from an elderly gentleman who said excitedly: "My water's been cut off!" The sleepy urologist replied: "Are you a patient or a tenant?"

Another popular topic in the news media is unnecessary surgery. The subject was debated at great length when a former Minister of Health, who thankfully is now back practising law, stumped the province telling anyone who would listen that doctors were cutting up their patients indiscriminately to increase their incomes. This month a reporter dredged up a four-year-old peer review report on gynaecology in Saskatchewan, threw in some questionable research comparing raw statistics from Ontario and Britain, and made a four-part series of articles out of it. We believe this to be monstrously irresponsible journalism.

It's absolutely ludicrous to compare medical care in the U.K. with Canada's. My father practised under the National Health Service but I will resist the temptation to describe the horror stories that I have heard. Just let me make some obvious points:

1. Britain is going down the drain economically. The value of the pound sterling in relation to the Canadian dollar has dropped by one-third in the past decade, from more than \$3 in 1966 to less than \$2 in 1976. If there is less surgery done in Britain than in Canada, it's no wonder. Let's face it, there's less of everything in Britain today.
2. Canada has benefitted, and Britain has lost, through the mass exodus of physicians from the U.K. As the *London Daily Telegraph* commented on October 8, 1975: "The doctors are packing up and going. Some of the best have gone, leaving unfillable gaps. Many of those who remain are old, presumably too old to go. Of young men now training to be doctors, many have no intention of practising in this country." The *Daily Telegraph* editorial concludes: "Perhaps the doctors by their exodus will bring home to our government and people the appalling and often irreparable injuries now being inflicted on our country."
3. Controls and restrictions on hospital utilization in the U.K. are such that it is very difficult for any surgery, necessary or unnecessary, to be done. The British people have just had to learn to live with conditions that could be corrected surgically because of the interminable waiting lists at hospital

— a year, would you believe, for a hernia repair, and two to four years for cataract surgery. Patients there have become cynical about the hospital waiting lists and wonder whether the health planners consider "d.o.a." — dead on arrival — as a tragedy or a cheap diagnosis.

4. The National Health Service is so totally socialized that they don't even keep accurate records of the numbers of surgical operations performed in the country. Their statistics are based on an assessment of 10% of hospital discharges, hence comparison with Canadian statistics are odious.

Let me assure you that there is unnecessary surgery being done in Ontario. There always has been, and always will be, so long as medicine remains an inexact science, depending as it does upon human judgment. But what is unnecessary? If a breast lump is removed to exclude cancer and the lump is benign — is that unnecessary? I think society believes that it is better that some unnecessary surgery be done than that some necessary surgery not be done. We don't really have a choice, because although we have excellent diagnostic aids, it is often impossible to determine until the tissue is removed whether or not it is healthy tissue. And in some cases, tonsils are a good example, surgery sometimes can be justified whether or not the tissue is "healthy".

To say a doctor removes a child's tonsils purely for economic reasons is absurd: treating tonsillitis and associated diseases throughout childhood would yield many times the fees of a single surgical procedure.

Tonsillectomies, with or without adenoidectomies, have been a subject of debate within the profession for many years. New drugs and changing concepts alter patterns of practice in medicine, and tonsillectomies again are a prime example. In 1967 there were 87,000 tonsillectomies done in Ontario. During the current twelve-month period, based on OHIP statistics for the first six months, there will be about 42,000, less than one-half the number done by fewer surgeons among a smaller population nine years ago. Medical staffs of nearly all hospitals in Ontario have tissue and audit committees which carefully screen laboratory reports of tissue removed during surgery, and surgeons whose judgment does not meet acceptable standards are dealt with by the governing board of the hospital on recommendation of the Medical Advisory Committee. The most common disciplinary procedure is restriction of surgical privileges.

This kind of self-discipline is one of the hallmarks of a profession, yet the activists, including the news media, tell us it isn't good enough in the new society.

Perhaps these few examples I have cited will be sufficient to support our thesis that the medical profession has been subjected to a series of controls and assaults on its freedom and is in danger of losing its professional status. Those of you who are in other professions, in business and industry, in every walk of life, should gird your loins because political history shows that almost nothing short of revolution will change the direction of the current of political trends.

A major thrust in the campaign to entrench the new society was the Anti-Inflation Act. Another salvo comes in the form of amendments to anti-combines legislation which, among other things, prohibit professionals from adhering to their own fee schedules, unless they conspire with government to set them. I have no doubt whatever that these measures are deliberate steps toward the total centralized control of Canadian society.

There are other giant steps that have been taken in the same direction. For example, the erosion of the supremacy of Parliament; the growing trend towards rule by Order-in-Council, and the frightening interference by the legislative branch of government into the judicial branch, whose total independence is a cornerstone of our democratic system.

There is another, unrelated example of the inflexibility of government policy which has come to my attention, and which I mention because some of you people might have influence in high places. It concerns the 1976 Olympiad for the Physically Disabled, which is to be held in Toronto in August. The federal government refuses to support the project if a team from South Africa is invited to participate. The basis of this attitude is the government's opposition to the apartheid policies of the South African government. Yet the South African team of 22 disabled athletes is an integrated, multi-racial team which includes nine non-whites. The team was selected at trials run by the South African Sports Association for Paraplegics and Other Physically Disabled, which, since it amended its constitution to prohibit racial or political discrimination, has been accepted into the membership of the International Sports Organization for the Disabled. Surely a nation that welcomes terrorists to international conferences within its borders and issues visas to ablebodied South Africans to visit Canada should open its gates and its heart to physically handicapped athletes whose acceptance of the brotherhood of man shines like a beacon in darkest Africa.

As I said at the outset, we as physicians are concerned over the direction in which society is being taken. We don't know how far our leaders can or will go or whether there is any chance, even now, of reversing the trend. We find both hope and despair in the words written 450 years ago by Niccolo Machiavelli: "There is nothing more difficult to take in hand, or perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things."

Our distinguished speaker and guest was thanked on behalf of the audience by Lieut. Col. E.H. Shuter, C.D., F.C.I.S., a Director of The Empire Club of Canada.

APRIL 1, 1976

The New Society: New Title, Same Old Debate

AN ADDRESS BY Gerald E. Pearson,
PRESIDENT, CANADIAN CHAMBER OF COMMERCE

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Ladies and gentlemen: We bid you a cordial welcome to this luncheon meeting of The Empire Club of Canada.

Since this is April 1, it is perhaps permissible to quote oneself. In an address to this club about two years ago, in a rare flash of genius, I observed that the time had arrived to make some fundamental decisions and critical choices involving the type of society we wish to maintain or build in this country and to put an end to our predisposition to continental social drift. In making a mental review of the program of topics and speakers of this year, I believe it has been singular, at least to this extent, that we have addressed our minds, or had them addressed, to the identification and implications of our serious problems. It is not the function of this club to resolve them, but we have assumed a self-imposed obligation to air them, and in that I believe we have discharged our responsibility in an acceptable way.

Our distinguished guest and speaker attends today as the worthy representative of a substantial interest group in this dialogue and his topic, "The New Society: New Title, Same Old Debate", preserves the continuity whilst rejecting any claim to novelty.

Mr. Pearson was born in Alberta and was educated both there and in Ontario. He is a graduate in Commerce from the University of Alberta. In private life he is a chartered accountant and a partner of Clarkson, Gordon & Company in Edmonton. In 1972 he was elected President of the Edmonton Chamber of Commerce; subsequently he served as a Director of the Alberta Chamber, as Chairman of the Prairie Regional Committee of the Canadian Chamber and as a Director of the Canadian Chamber. He was elected National Vice-President in 1974 and President in September, 1975. In a real sense, therefore, it can be said that Mr. Pearson has risen through the ranks of that 125,000 member organization and is eminently qualified to speak for them.

I am privileged to call upon Mr. Gerald E. Pearson, President, Canadian Chamber of Commerce, to address us.

MR. PEARSON:

Mr. Chairman, ladies and gentlemen: Thank you sincerely for your warm welcome, and for an extremely generous introduction. I can only conclude that such a build-up, followed by my modest performance, may constitute one of the better April Fool jokes of 1976.

I was very flattered to receive an invitation to address this distinguished group. I was assured in advance that my comments could safely verge on the esoteric. In fact, someone pointed out that this would be one of the few audiences before which I might use the term "esoteric" without someone assuming that I was referring to a subsidiary of Imperial Oil.

However, notwithstanding this preamble, my remarks will be relatively plain and straightforward, for my topic

Gerald E. Pearson,
President,
Canadian Chamber
of Commerce.

inspires blunt talk. Heaven knows, we have already heard enough intellectual sermonizing . . . in fact, that may well be the heart of the problem.

In my travels this year, as President of Canada's largest voluntary, non-political association, I have devoted a great many talks to government intrusion, and to the right of the businessman to run his own business.

I have stated my passionate conviction that it is to the benefit of *all* Canadians that entrepreneurs maintain a positive innovative spirit, and major control over their own affairs. While there has been, and always will be, a degree of government regulation and involvement in the marketplace, that intrusion must not ever become of such proportions that it dampens initiative, or threatens democratic rights or civil liberties.

On several occasions in recent months, I have expressed some doubt as to the ability of the private sector to survive the compounded impact of restrictive legislation, increasing government intervention and competition, and expansive government spending. On more than one occasion, we have suggested that, barring corrective action, it was not inconceivable that business might some day be put *out* of business.

Recent trends and actions, most notably the Prime Minister's musings with respect to the collapse of the "free market system", have brought this issue into focus, and it is to this topic that I wish to address my remarks today.

Those of you who have been following closely the development of the national debate over the "free market" will be aware that "things have not been unfolding as they should".

Part of the difficulty is semantic in nature. Some segments of Canadian society truly believe that the national debate hinges on a choice between "capitalism" and "socialism". I do not share this belief, nor do I believe that Mr. Trudeau sees the situation as a comparison between absolutes.

In fact, I believe that we would do well to stamp out the term "capitalism", for it is too frequently used in reference to 20th century North American business activities where it does not apply. In the first instance, capitalism exists all over the world, in scores of different forms. Secondly, the term has a negative emotional charge as a result of the abuses perpetrated during the Industrial Revolution, abuses long ago remedied and totally irrelevant to the present context.

Having dispensed with "capitalism", what more reflective term can we employ to describe the private sector in 1976? In point of fact, what we have is a "mixed economy" with a large government influence. For some time, "free enterprise" was the term in vogue; however, the system long ago ceased to be "free" — if it ever truly was, and "free enterprise" is therefore also subject to misinterpretation as a term.

I was interested to read recently that, in a survey of Ontario university campuses, 82% of those students interviewed *disapproved* of "free enterprise" as it currently exists, although the vast majority approved of the *theory* of free enterprise. "We approve of free enterprise", they said, "but where is it?"

A parallel exists in the story of the Canadian who was asked by an American friend: "What do you think of Canadian culture?" The reply was: "Darn good idea!"

To return to my theme, we operate in a "mixed economy" in Canada and, in my view, all of the rhetoric boils down to that basis. No matter the talk of "new societies", "free market systems" and "power groups", we are embarking on a new and more public round of the same old debate, which might more aptly be entitled: "The mixed economy — how mixed will it be?"

At the risk of treading a well-worn path, I would like to pause momentarily to recap a few of the more important phrases used by Mr. Trudeau in calling for the national soul-searching.

On December 18th, the Prime Minister said, in announcing the federal spending cuts, that Canada had entered "a new economic era" and that a "new kind of society" must be created.

On December 28th, in a CTV interview, he expanded on the thought, admitting that we must "even change our institutions". "It's a different world", he said, "and you can't live in a different world with the same institutions and the same values you had before."

He admitted that the controls program represented "a massive intervention . . . telling Canadians that we haven't been able to make the free market system work . . . Our problem is how do you deal with bigness? That means the government is going to take a larger role in running institutions."

With these words and other phrases of equal clarity and precision, Mr. Trudeau called upon all interested parties to contribute to a discussion of Canada's future economic mix and direction. The national reaction to his call ranged from boredom to outrage. Significantly, both labour and business leaders questioned the true intent of his comments, and wondered aloud whether the Prime Minister's mandate embraced an overhaul of the values of Canadian society.

Mr. Trudeau addressed the Canadian Club and the nation on January 19th in an endeavour to clear the air.

"We are living in a new economic era," he repeated, adding that "We haven't been able to make even a modified free market system work in Canada."

"Much public comment has accused me of wanting to kill free enterprise," he admitted. "This is a phoney issue ... I made absolutely no mention of free enterprise. I spoke about the free market. There is a difference."

Free market system ... free enterprise ... mixed economy — no matter the terminology, most Canadian business people understood the message quite clearly.

The total of the Prime Minister's comments represented not an invitation to dialogue but an assertion, followed by a call for views, and followed immediately by a preconceived verdict.

"This is a new economic era," he said. "We haven't been able to make the system work," he added. "How do you deal with bigness?" he asked. And then he answered his own question: *"Government will take a larger role."*

Sam Hughes, the Executive Director of the National Chamber, reacted to Mr. Trudeau's remarks on national television. His words echoed the thoughts of many people in the private sector.

"Mr. Trudeau has called for a national debate," said Hughes, "but I'm not sure who the judge and jury will be."

The focal point of the debating exercise has therefore become not a series of possible options, but the pros and cons of a specific solution already advanced by the federal leadership: namely, more government.

The Prime Minister has suggested that traditional solutions will no longer suffice, and what he appears to have in mind is more government intervention in the public interest.

I'll debate that premise for what it's worth.

I won't go into the difficulties of defining and interpreting the "public interest". Suffice it to say that many undesirable things have been done in what was perceived by somebody to be in the "public interest". On the other hand, the "public interest" certainly does exist, and it needs to be protected.

The view of the Chamber of Commerce has always been that the public interest is best served by a system which protects individual freedoms, is subject to market forces and is fueled by incentives to those who demonstrate initiative and hard work. By contrast, we feel that our current economic ills are attributable in large part to too much government, an administration living beyond its means, and undermining the health of the productive sector of the economy.

If this view is valid, then the statement that our economic health can be restored by still more government just does not make sense.

The assertion that another stiff dose of government will settle a system already disrupted by public-sector meddling gains no more sympathy from me than did the small English child who, several years ago, killed his parents and then pleaded for mercy from the court because he was an orphan.

I believe that Mr. Trudeau's assumption that we have entered a new economic era also requires some evaluation.

There has never been a time in recent history when the forces of change have *not* been at work. In fact, it has, for many years, been said that change is the only thing that is permanent.

No one would deny that our world *is* undergoing massive changes. No one can deny the impact of OPEC, the multi-nationals, the floating exchange rate, and the masses of currency passing through the international banking system.

Yet, are these changes any more fundamental than, for instance, the rise of the trade union movement, the emergence of instantaneous communications, the advent of the computer or of nuclear technology?

Our current economic system has shown an amazing capacity for adapting to new conditions. Is there any reason to suppose that it is not equal to the challenge posed by the most recent set of upheavals?

Of course, the argument will be made that the present changes are not differences in degree, but differences in kind. Yet surely this is word-play. Certainly, the evolutionary cycle continues — but can we isolate this moment as "a new era"?

Call this a new economic era if you will, but it is subject to the same old economic facts of life.

We don't need a new debate with a catchy title, or an economics degree, to enunciate the economic commandments:

1. Government, like everyone else, must learn to live within its means.
2. Money supply should match the trend of the economy.
3. Labour should be responsible in making wage demands, and should take into account basic realities such as productivity, the employer's ability to pay and the need to compete in world markets.
4. Business must be allowed to prosper if the necessary jobs and wealth are to be created.

5. If you want someone to do something, give him an incentive to do it.
6. It is unwise, if not fatal, to discourage the producers in our society.
7. You cannot consume more than you produce.
8. There is no such thing as a free lunch.
9. Governments are never as efficient at redistributing wealth as a booming economy.

Somehow, in our headlong rush to meet our political destiny, some of us have forgotten the simple economic facts of life. Until we get back to the textbook, we will have no grasp of the extent of the problems that are home-made, as compared to the residue of difficulties that have been the result of fundamental changes in world conditions.

The Prime Minister has said that it is a "phoney issue" to blame our economic ills on excessive government spending, undue increases in the money supply and excessive intervention in the marketplace. In support of this, he has pointed out that every industrialized country in the world is suffering from the same economic problems. Quite unintentionally, he may have said a mouthful.

It may well be that the governments of other industrialized nations have *also* been spending excessively, increasing money supply unduly, and over-regulating their economies. But does unwise government policy elsewhere legitimize similar action here at home?

I suggest that if we were to take the lead in reintroducing sound economic thinking in the administration of our affairs, we might well gain a tremendous advantage in world trade.

Has Canada's moment come to assume the mantle of international leadership, if only momentarily? Or shall we maintain the cautious route behind others, paying the price when they stray from the path of wisdom?

If there is nothing new in the "new economic era", there will be even less that is new in the "new society", if what it implies is more government intervention and more government control.

The extent of government intervention and control has been increasing alarmingly for many years, and has now been drastically accelerated by the price and income controls program.

The "new society" is supposed to feature government intervention in order to ensure that concentrations of power do not harm the public interest. To recall a quotation I mentioned earlier, "Our problem," said Mr. Trudeau, "is how do you deal with bigness?"

I find that statement particularly significant in that it has a pejorative connotation: bigness is apparently *assumed* to require restraint. Quite apart from the fact that it is an assumption that I cannot accept, I fear it has implications for the work of the Royal Commission on Corporate Concentration.

The Royal Commission was brought into being in order to study the impact of concentrations of corporate power on the public interest. Its mandate, however, contains no bias, and the government went to some lengths, at the outset, to make it clear that it had no preconceived notions as to either the positive or negative implications of size. The Prime Minister's recent statements, however, appear to be inconsistent with this apparent lack of bias. Some would suggest that his remarks presume a verdict — that is, a need for control — even as the commission's hearings go on.

The very fact that corporate power has been singled out for study is indicative of the anti-business bias that now exists in Canada. The stark reality is that businessmen are a minority group, and because of the prevalent cynicism, and the many popular myths and misconceptions, the appointment of the commission represented good politics. On the other hand, it is also a classic case of biting the hand that feeds, since the 80% of the workers employed in the private sector support the 20% in the public sector, and support them very well.

The "new society" musings and the Bryce Commission on Corporate Concentration are not unrelated, it would seem.

As president of a major organization of characteristically low-profile business people, I empathize with General Custer who is reported to have gathered his few hundred men around him and, scanning the ten thousand Indians gathered on all sides, quipped: "Men, don't take any hostages."

In the grand debate for Canada's future, we hold few winning cards.

Our jury, the Canadian public, has heard the criticisms of bigness, of power, of the corporate elite, of profit and greed, and of wealth built on the backs of oppressed labour. They have too seldom heard our reply, and in our silence we have been presumed guilty in the past. There is a backlog of misinformation that we have unwittingly reinforced.

We have a massive education job to do with the Canadian public and with our judges on Parliament Hill who will not only *render,* but *legislate* a verdict that will shape Canada's destiny. The conventional apologies for avoiding the public spotlight offer no escape in the present circumstance. We must stand up and be counted, or we, and the business system with us, will surely be counted out.

Some will ask, if the arguments in favour of the competitive enterprise system — the mixed economy — are so strong, why is the system under attack, by government and also by the public, both of whom are beneficiaries of the system?

The answer, reduced to simple terms, is that the system has not been judged by the criteria of success, but on the level of idealistic values and emotions — the irrational passions of man. Ironically, the success of the economic system is undermining its chance of survival.

Who will defend the competitive enterprise system? The general public? No, for in their minds there is no perceived connection between their affluence and the system, and they do not really understand an economic system as such. They are much more aware of their daily frustrations and insecurities under the system than they are of the long-term gains derived from it. And, to an increasing degree, they and many politicians are brainwashed by intellectuals who resent the system and its central figure, the businessman.

Then who *will* defend the competitive enterprise system? The businessmen? Unfortunately, most businessmen have shown neither the capacity nor desire to capture the imagination of society. They lack charisma, sex appeal. They may be honourable, but they are not heroic.

And so the competitive enterprise system has stood as an undefended fortress. All that was required was someone to attack it, and this too has been provided by the system in the form of intellectuals who have more leisure time than ever before in which to do it, time granted by the efficiencies and progress of that same system. The renowned economist, Dr. Joseph Schumpeter, had his own definition of an intellectual:

> Intellectuals are people who wield the power of the spoken and written word. One of the things that distinguishes them from other people who do the same, is the absence of direct responsibility for practical affairs. The critical attitude arises no less from the intellectual's situation as an onlooker than from the fact that his main chance of asserting himself lies in his actual or potential nuisance value."

The growing affluence of the mixed economy has permitted a continuing expansion of higher education, to the point where there are more intellectuals available than there are suitable jobs to put them in. Many of them blame the system, and their favourite target is the businessman. They say the businessman got his money by luck, by monopoly, by exploitation or by dishonesty, among other things.

Some intellectuals identify with the trade unionists, because of their anti-business attitudes.

Government bureaucrats have a natural alliance with intellectuals, with whom they share a common educational background. On the one side, there are the bureaucrats who are increasingly involved in anti-business legislation, and on the other side, the unemployed intellectuals who are only too happy to get a job with decent pay and indecent amounts of power over others.

Professor Benjamin Rogge, a lecturer in political economy at Wabash College, addressed this phenomenon in a recent article. He asked:

> Do we or do we not have a surplus of intellectuals? Are they or are they not critical of the businessman and the business system? Do these critics largely control the world of the academy, the media, the pulpit, or the stage? Well, when did you last see a businessman treated sympathetically in a novel or play? He has two choices; he can be a knave or he can be a fool. Whose name is better known to the American people — Ralph Nader's or the President of General Motors?

One might wonder if there is any hope that, with the opening of this economic debate, the businessman will finally sense the danger to himself and to the system of which he is a part, and rise to meet the challenge?

This is the critical question.

It has been written that "The report that a given ship is sinking is not defeatist, only the spirit in which this report is received can be defeatist. The crew can sit down and drink. But it can also rush to the pumps." Those Canadians who understand the mixed economy from practical experience as participants now have little choice but to rush to the pumps.

We have been invited to convince a doubting administration and a questioning public that the nation has been well served by the current mix of private and public enterprise, and that it is *not* time to tear down a productive yet imperfect mechanism in favour of an idealistic abstract of planned perfection operated by remote control from Ottawa.

Although business people may not be heroes, they do know a lot about hard work and persistence, and they have had to learn to become good salesmen. Those talents could be of inestimable value in the days ahead. The task is, quite simply, to safeguard freedoms and to stave off further government intrusion into a delicate mechanism already seriously upset by government meddling.

As it currently stands, government sees the economy as its patient. The cabinet believes it is the only medical team in town, and it has the added distinction of having inflicted most of the diseases. We are involved, one might say, in an intellectual malpractice suit.

Yet there are some hopeful signs. Businessmen are becoming more aware and vocal. Not all intellectuals are critics of the system. Many of the new studies in economics support the mixed market position.

Adam Smith sounded a hopeful note in 1776, which may give us hope today. He said:

> The uniform, constant and uninterrupted effort of every man to better his condition ... is frequently powerful enough to maintain the natural progress of things toward improvement, in spite of both the extravagance of government and the greatest errors of administration. Like the

> unknown principle of animal life, it frequently restores health and vigour . . . in spite, not only of the disease, but of the absurd prescriptions of the doctor.

I am happy to report that the patient is suffering, but he is still very much alive — and kicking.

Our distinguished speaker was thanked by Mr. Ian Jerrold Collins, a Director of The Empire Club of Canada.

APRIL 8, 1976

Politics and Government in Ontario

AN ADDRESS BY Dr. Stuart L. Smith, M.P.P.,
LEADER OF THE LIBERAL PARTY IN ONTARIO

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Ladies and gentlemen: We bid you a cordial welcome to this luncheon meeting of The Empire Club of Canada. I would like you to meet and recognize the distinguished guests who are with us at the head table today. I would ask that you not feel discomfitted if you see red as the political affiliations of some of them are made known to you; the rest, of course, have guilt by association.

In a letter from the office of the Leader of the Liberal Party informing us of the title of Dr. Smith's address, we were forewarned that his remarks might vary depending on the outcome of the non-confidence votes in the Legislature. You will appreciate that these events were not entirely irrelevant to my task today and this introduction represents a second look.

In a world and an era characterized by fast moving events, it is increasingly possible, it seems, for some people to accomplish a great deal in a relatively short space of time. Dr. Smith is in the best tradition of this new breed of Canadian politician and, as John Fisher has pointed out, in choosing our political leaders for the '70's and beyond, we are not averse to skipping a generation or two. In saying this, I am not to be taken as making any aspersions on my own generation, much less the Prime Minister of Canada, for in psychiatric terms, at least, the young include the young at heart.

Dr. Smith was educated in Montreal and had an outstanding academic record as a medical undergraduate at McGill University. More importantly, as events have unfolded, he had, for a medical student, an uncommon and pervasive passion for politics. He was President of the Student Society, a representative of Canada in international debates, in a student exchange visit to the Soviet Union in 1961 and in the World University Service studying culture and government in the West Indies. I think it also noteworthy that he set himself against the policies of Quebec Premier Maurice Duplessis at a time when to do so might result in a protracted period of unemployment.

It is not at all surprising that Dr. Smith should have been attracted to the new Faculty of Health Sciences, McMaster University, with its innovative curriculum and program under the guiding hand and spirit of Dr. John Evans. It also made us, in Ontario, the happy beneficiaries of Dr. Smith's energies and abilities. His outstanding work and community involvement in the Hamilton area justifiably led to his election as the Liberal member for Hamilton West constituency in September, 1975.

As Liberal critic on health and a member of the Caucus Committees on Urban Affairs and the Environment, his reputation was established and his worth appreciated to the extent that he was elected Leader of the Liberal Party in January, 1976 about four months after he entered the House.

We welcome him here today, wish him well, and invite him to address us.

DR. SMITH:

Mr. President, ladies and gentlemen:I am delighted to have this opportunity to meet with you at a time when most of our thinking is dominated by economic matters. There rages considerable debate on our system of economic management and the values which underpin this economic system.

Here in Ontario, we have just had presented the government's budget estimates for the coming year. I would like to spend a few moments to reflect upon this budget, and then I would like to share with you some thoughts about the general concerns which pertain to the economy of our province and our country as we enter the final quarter of the 20th century.

What about the budget itself, as presented two days ago? As you know, the budget calls for the second largest deficit in Ontario's history, about a billion and a quarter dollars. Even that estimated deficit may well prove to be very much on the low side, since it is dependent upon a real growth in the Ontario economy of 5.3%, and a growth in exports alone of 20%.

Both of these expectations seem optimistic in the extreme, and although I certainly hope that matters do improve to that extent, I fully expect that the Treasurer will be back asking for supplementary estimates, as he has done every year recently. You may remember that he asked for $500 million two years ago, and an additional $200 million last year. In addition, we have to keep in mind that the Treasurer has forced municipalities to increase property tax across the province, both for municipal purposes and for the support of school boards. Although he has permitted provincial spending to grow at a rate of 10.4% and, in fact, at a rate of some 13.2% excluding transfer payments, municipalities are expected to live within a 7.8% ceiling. This may turn out to be a very poor place to economize.

Most citizens believe, and I think correctly, that they

Dr. Stuart L. Smith,
M.P.P.,
Leader of the
Liberal Party in Ontario.

get the best value for their tax dollar at the municipal level. I am very concerned when I see that municipalities are considering cutting back on garbage collection and on such programs as "Elmer the Safety Elephant" in the schools. Clean, safe streets are something that we have come to cherish and to value in Canadian society, standing in very sharp contrast with some of the experiences below the border. The appearance of friendly policemen in schools as advocates of safety and good citizenship is beyond calculation in its importance to our society. What price can be put on having our younger generation grow up with a good feeling about the police, rather than regarding law officers as enemies?

I worry about the municipal cutbacks, especially in view of the fact that there still seems to be room for a lot more restraint at the provincial level. Without going into great detail and without becoming excessively partisan, permit me to just refer to the so-called Super Ministries, the enormous administrative apparatus in all the educational systems (frequently despite lower enrolments in the actual schools themselves), the burgeoning of the Premier's own office staff, the fact that 19,000 contract casual and part-time employees are on the payroll in addition to those admitted to as civil servants in the budget, and the excessive bureaucracies in Regional Government.

The increase in OHIP premiums will be a very difficult blow for many working men and women in our society. In addition, there are many small businesses that pay OHIP premiums for the employees, in whole or in part, and OHIP will now be yet a more burdensome payroll tax, added to the already almost intolerable list of such taxes, including Unemployment Insurance payments, Canada Pension payments and Workmen's Compensation Board premiums. The reduction in tax for small businesses is welcome, but in many instances may be offset by the OHIP premium increase. This also burdens municipalities which pay the premiums in full for 90% of their employees. There is no doubt that more revenue is needed for health, but an argument could be made for this to come out of general revenues so that the burden would be distributed according to ability to pay.

In summary, the budget is still an example of overspending and is probably excessively optimistic in its forecasts. We are glad to see some movement in the direction of restraint, however, and we agree that additional revenue was needed, although we may disagree as to the means of raising it. We are very concerned about the impact on municipalities.

Leaving the budget, it might be appropriate to discuss some of the fundamental concerns which I have in studying the Canadian economy and the economy of our province at this time. The major concern that I would mention is the frightening decline in productivity per dollar of wages.

Ten years ago productivity in Canada was at 71% of the

United States level, and wages were at about 75% of the level in the U.S.A. Now productivity is about 78½% of that in the United States, a slight improvement over ten years, but wages are at 108% of the American level. This bodes ill for any possibilities of export trade in which the use of labour would be at all important.

This leads directly into a second key concern, the enormous increase in our balance of trade deficit regarding manufactured goods. This deficit in 1975 was 6.5 billion dollars. The only reason the country has been able to sustain even the moderate prosperity we have at present is due to the fact that we have a positive balance of $4 billion in trade in primary products. Yet do we truly see our future simply as hewers of wood and drawers of water? And what are the implications of this for Ontario, the centre of Canadian manufacturing?

And the third very frightening indicator looming just on the horizon is the pending energy trade deficit which will shortly run into an amount approximating $5 billion.

All these indicators are giving us cause for serious concern at a time when our society has seen a serious decline in the work ethic, an increase in popular expectations and feelings of entitlement, and the adoption of protest tactics and group confrontations as a substitute for self-sacrifice and self-discipline. Unfortunately, politicians have been only too happy to foster this expectation of endless affluence by election-time largesse and by promoting the welfare state, irrespective of whether the country's economy at any given time truly permitted new programs to be affordable.

Interestingly, our educational system generally makes no provision for the teaching of the fundamentals of our economic system to our citizens, and I worry lest they fall prey to the simplistic "explanations" offered by those who would eventually have the state control everything. It surely must stand as one of our great failings that those of us who believe so strongly in the benefits of a system which permits private initiative and private enterprise have failed somehow to make this part of the educational experience of every Canadian. It is only in an atmosphere of ignorance that words like "profit" and "dividend" could become dirty words.

What can we possibly do about the situation? There are a number of remedies which should be seriously considered and which should be presented honestly to the people of this province.

Agriculture must be fostered as a potential export industry toward the latter part of this century. This requires an immediate, genuine policy for land use and a full inventory of Ontario's lands. It will also probably mean marketing boards and higher food prices, along with some regulation of the food processing and packaging industries, so as to be certain that any higher prices paid for food in fact find their way to the farm gate.

We must utilize the enormous investment we have already made in education. We have always felt that it is worthwhile to educate Canadians to a very high level, and we referred to this as a form of "social capital". The time has come to draw on this capital and to make it productive, but we can only do so if we encourage in Canada an attitude of innovation and the development of technology and design. We must move heavily into education-intensive industries, and to do this will require much increased investment in research and development.

Unfortunately, at this time, the private manufacturing sector refuses to spend significant amounts of money on research and development, mostly because of the fact that the majority of those interests are branch plants of foreign enterprises. We require crash government programs such as that of Atomic Energy of Canada which developed the CANDU Reactor, or perhaps we can use a form of partnership between governments and private Canadian corporations.

The lead times for such developments are usually between ten and twenty years, so I suggest we simply cannot afford to wait. We must start immediately.

There are many good areas of research for Canadians, including pollution control, water quality maintenance, the development of solar energy devices and the design of homes heated by renewable forms of energy. It is shocking that right now, we spend less than a million dollars annually on research into solar energy, and less than two million into all forms of research in the area of renewable energy sources. This is disgraceful compared to the enormous investment which the Americans and the Japanese are making. We will have no one but ourselves to blame when, some years from now, we are totally dependent upon importing the technology for solar energy, and when we find that Canadians have absolutely no industry related to this new technology.

We have plenty of educated Canadians and many excellent scientists who are crying out for money to carry on their work in this area. We have put all our money into the nuclear basket and we are apparently too shortsighted to have a genuine long-term energy policy in this country or in this province.

It seems that we must now foster the mentality of conservation rather than simply continuing the emphasis on exploitation of resources. We have an opportunity to take a lead in the area of recycling and in the fields of home renovation and reconstruction.

It is vital that we move in this direction, not merely because our resources clearly are limited and our environment simply cannot continue to be polluted at the present rate but, more importantly, I suggest, in order to get away from the mentality that we have unlimited resources. We must create an atmosphere where people begin to realize the true costs of the demands we make: the true costs in terms of environmental impact and in terms of the squandering of precious resources. Recycling and conservation programs help people to focus on the need to make do with what one has, rather than on the constant escalation of one's feelings of entitlement.

We have a job of retraining to do at the family and at the school level in terms of reinstituting a certain amount of self-discipline among our children, particularly so that they can have the true measure of the value and meaning of work.

I have suggested elsewhere a scheme whereby our youngsters in high school would be permitted six months credit for volunteer work they would do outside the school. I call it "Service to Ontario", working with the elderly, the infirm, assisting police, etc., so that they could come to understand that they have a real contribution to make and that the work they do is genuinely required by others in our society.

It is terribly important that we stop encouraging our young people in the system of working a few weeks and collecting unemployment insurance. I am certainly no redneck about this, and I believe, as you do, that unemployment insurance is a tremendous boon to our country. The fact is, however, that too many people have devalued work. They have come to prefer collecting such insurance to working at jobs which are not entirely pleasant.

We must do everything we can to make the jobs in our society more satisfying and less dehumanizing. But permitting the general psychology to emerge that certain types of jobs are simply not worth doing will be of enormous harm to us in the long run. Very few of the jobs that now go begging are really all that demeaning.

Parenthetically at this point I might mention that a recent study has shown that the United States has a much higher proportion of interesting jobs than we do in Canada. This is presumably because the design and the development aspects of most industries are located in that country. Dr. Myron Gordon at the University of Toronto points out, "The better paid and more interesting jobs required to produce Canadian manufactures are located abroad and are not open to Canadians." He says that, "In 1970 the number of salaried employees per hundred production workers was 23% higher in the United States than in Canada." It is interesting that he relates this to the productivity gap between the two countries to which I referred earlier. He feels that the United States employee on the average contributes value added at a rate 45% higher than the Canadian worker.

In any event, the value of work and the importance of it to the development of feelings of self-worth must be stressed. We must not permit the psychology to take hold which says that work is a thing of the past, and that we must simply train ourselves to do without it. Such a training, even if it were possible, is simply not affordable in this country at this time.

Somewhat related to the topic of work, it seems to me that we must foster the spirit of voluntarism in our society. It's incredible that this province, whose people have a long tradition of helping one another, particularly in rural areas, should now have become so dependent upon government initiative to get things done. We have, fortunately, still a thriving group of service clubs and still some dedicated individuals who give of themselves to assist others. Unfortunately, they are the exception rather than the rule today. If the government grant is not forthcoming, so many groups seem to feel that there is no way that they can proceed and I find this a very disappointing turn of events. One of the good things to come from restraint just might be that we begin to look at ourselves and our roles in society.

It seems to me that we have to give full support to the federal government's anti-inflation program as the only viable method of keeping wage settlements down until (a) productivity begins to catch up, and (b) attitudes and expectations are brought in line with what we can afford.

I am not overly enthusiastic about government interference because we naturally run the risk of interfering with the motivation of the private sector, and that would be fatal. Nonetheless, I have not yet heard a single constructive suggestion for reversing the disastrous wage-to-productivity ratio, apart from the anti-inflation program at present in effect. When the country is, as a whole, poorer, then we all have to expect to be somewhat poorer ourselves. That, it seems to me, is what the Anti-Inflation Board is all about.

All these suggestions, like remedies in general, may not be too popular. We have seen a few of the more short-sighted union leaders and some socialist-leaning politicians insist vehemently upon further rapid redistribution of the national wealth. We have to be prepared to stand up and explain our case against this at this time. Unfortunately the job is all the more difficult since people in Ontario have been misled by successive governments over several years to believe that our resources were endless and that all our wants could be met by government largesse.

Ladies and gentlemen, I suggest to you that the task before everyone in this room is no different from the task that is before me in my role as a political leader. Every one of us must go among our friends, among our families and among our business acquaintances. We must instill an understanding of the need for a land use and agricultural policy, investment in knowledge-intensive industries, an energy and a conservation policy which truly faces the future, a re-establishment of the ethics of work and voluntarism in our society and genuine, possibly painful restraint in wages and profits until productivity has in fact shown necessary improvement in keeping with our trade competitors.

Every citizen must be made aware of the real meaning of the disastrous decline in productivity, the menacing increase in our trade deficit, and the real impact of high energy prices on this country. We, as Canadians, have managed to face up to difficult times in the past. We can do so again, but it requires leadership and government that will be honest, active and courageous.

Our distinguished speaker was thanked by Mr. Joseph H. Potts, Q.C., C.D., a Past President of The Empire Club of Canada.

APRIL 22, 1976

An Alternative Government for Canada

AN ADDRESS BY Joseph Clark, M.P.,
MEMBER OF PARLIAMENT FOR
ROCKY MOUNTAIN, ALBERTA

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR LEAL:

Mr. Treasurer, Your Grace, ladies and gentlemen: We bid you a cordial welcome to this luncheon meeting of The Empire Club of Canada. Mr. Clark and I are truly delighted that you have turned out in such impressive numbers today. It is not often that one sees the whole population of High River, Alberta, or Tweed, Ontario, in the same room, at the same time. It means much to both of us, though, I suspect, for quite different reasons. We also welcome the members of the television audience on Rogers Cable TV.

In keeping with the dimensions of the audience, we have a very long and distinguished head table. Indeed, sir, may I confide in you that the competition for places at the head table was as keen as it was for tickets in the body of the hall, something akin to the struggle for breathing space on the floor of a recent leadership convention in Ottawa. They are, of course, here for a very good reason — the same reason for all. I believe that His Grace the Archbishop and I are the only two politically uncommitted people up here, and, with the greatest respect, I occasionally entertain a lingering doubt even as to him.

I do recognize these allegiances are in keeping with the spirit of this day. On my way through the lower corridor of the hotel, my attention was attracted by a young girl named Alice tripping along and singing André Popp's familiar ballad, "L'Amour est Bleu". You will know it. "Blue, blue, my world is blue." Although the tune was quite familiar, the lyrics were different, and, as I recall them, ran somewhat as follows:

Blue, blue, the machine is blue,
Things are looking up
'Cause Joe is leading you.

Red, red, the Grits are dead,
The polls are never wrong
And they put Joe ahead.

Grey, grey, the P.M. one day ...

and the rest was lost to me because Alice disappeared down a rabbit hole. Perhaps, on his next visit, Mr. Clark will bring along someone to sing it for us, and, if he is open to suggestions, we have one to offer.

It is a long way from 725 Macleod Trail, High River, Alberta, to 24 Sussex Drive, Ottawa, and we are pleased that Mr. Joe Clark was able to stop off at the Empire Club on his way through Toronto. I know that you would want to join with me in extending to him a warm welcome.

My task today, in one sense, has been made much easier by the recent biographical sketches of our distinguished guest and speaker by Wayne Cheveldayoff of *The Globe and Mail*, Richard Gwyn of *The Toronto Star*, Senator Keith Davey of the Canadian Senate, David Lewis, retired, and Dalton Camp, of no fixed address. The difficulty is to know whom to believe. But this much seems to be established beyond all peradventure. Joe Clark is as Canadian as maple syrup with flapjacks, having been born and educated in the Province of Alberta, including the University of Alberta, where he was graduated with a degree in the science of politics, and educated as well from an early age in the rough and tumble of the art of politics at the constituency level. Contrary to what you may have heard, we like Albertans in this province. Mr. McKeough and I also believe there is no fuel like an oil fuel and we know our friends will not leave us in the lurch or the dark!

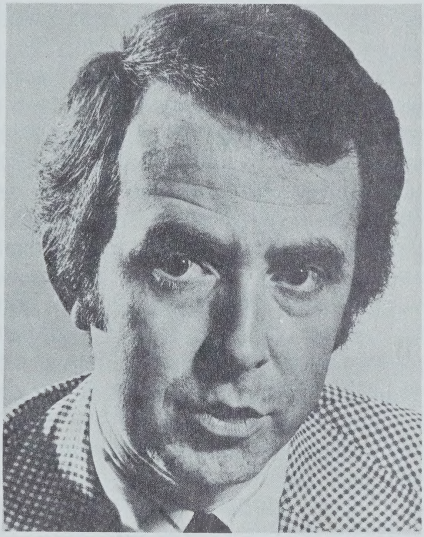
Mr. Clark was, of course, originally a journalist and served with his family paper, the *High River Times*, as well as the *Calgary Herald* and the *Edmonton Journal*. I know not what the circulation of the *Times* was, but I'm sure it was influential and, in this connection, I am reminded of reading the *Charlottetown Sentinel* for the first time with its proud slogan on the masthead, "Covers the island like the dew!" This experience served to add writing skills to his outstanding speaking ability which has already become his hallmark.

I do not cavil with the fact that he is not a lawyer, because I know he holds lawyers and near lawyers in the highest regard, one of them in particular!

We are also assured that, having served his party and, therefore, his country, in apprenticeship for a long period in every conceivable office and role, both provincially and federally, despite his relative youth he has come to the leadership of the Progressive Conservative Party in Canada, and leader of the official opposition, not as a novice, but as one tried and tempered in the crucible of government of our national affairs.

He understands the political process and the nature of government and appreciates the necessity, both in power and in opposition, of specific and constructive programs for the solution of national issues and problems.

It is, indeed, a privilege for me to welcome here today the husband of Maureen McTeer, Mr. Joe Clark, the Honourable Member of Parliament for Rocky Mountain, Alberta; leader of the Progressive Conservative Party of Canada; leader of Her Majesty's loyal opposition in Parliament, and I now invite him to address you.



Joseph Clark, M.P.,
Member of Parliament
for Rocky Mountain,
Alberta.

MR. CLARK:

Mr. President, Your Grace, distinguished head table guests, ladies and gentlemen: It is a great privilege for me to be here today.

We have been living in a sort of political dreamland for the last several months. In economic policy terms, there have been two major developments of substance. The first started about two years ago when a federal election campaign was fought, largely, on the question of controls. The second started last fall, when the party which had categorically opposed controls suddenly imposed a form of controls that left little room for consultation. In the meantime, Parliament, which should be the place of major economic debate, has been consumed principally in discussion about firearms and the constitution; and business and labour which should be serious participants in major economic debate, have each been concerned principally with blaming the other — or blaming government — for the state of the economy.

National agencies like the Science Council, and the Economic Council, which exist to generate informed discussion, have produced startling reports concerning productivity, trade and the impact of social programs like unemployment insurance — with virtually no effect. The Prime Minister has generally abstained from economic debate, except for *ex cathedra* declarations about a new society, while the opposition parties have been pre-occupied with changing leaders. Throughout, there has been little genuine debate and no genuine consensus about Canadian economic policy. Instead, such policy as we have is being put in place by select groups of senior civil servants operating effectively beyond the reach of Parliament and public, through formal agencies such as the Anti-Inflation Board, or in informal activities such as the secret planning of what is euphemistically called the "post-control society".

Such a situation offends common sense as much as it offends the democratic idea that governments should reflect, and not impose, national consensus. In terms of common sense, it is clear that, however gifted the private architects of public policy in the government's inner circle, the Canadian Labour Congress is going to continue to walk away from decisions in which it played no part, and so, when they can, are the provinces, business and other partners in the Canadian community. In terms of Parliamentary democracy, the system becomes a fraud if the only purpose of Parliament is to use a slavish government majority to legitimize decisions taken by an inaccessible élite.

Given the present debilitated state of Parliament, there is not much I can do about that situation as merely the leader of Her Majesty's Loyal Opposition. But I regard myself also as the leader of an alternative government for Canada, and in that role I can begin to change the approach to economic policy-making in Canada, and begin again to make economic policy the subject of public discussion instead of private decision.

We are still in the early stages of building that alternative. Two months ago today, I was still Joe Who, sitting in the shadows of the Ottawa Civic Centre, while the cameras focussed elsewhere. Since then, we have reorganized responsibilities in our Parliamentary caucus, of which Sinclair Stevens is a prominent member, involving the development of a co-ordinated economic team, which will consider finance, trade, industry and productivity policy together, including a special emphasis, under the direction of Otto Jelinek, to encourage smaller business development in Canada. Shortly, we will establish policy development procedures, to ensure a broad and informed participation in defining the content of Canada's alternative government, and, I might add, we will soon be looking for candidates in case there is anyone else here immodest enough to think that she or he can run the country.

But even if it is early in my mandate, we have established the style in which we intend to approach our responsibilities of governing and of preparing to govern. It will be an open honest style, basing decisions on fact and not on ideology and founded on the certainty that Canada is too big to be governed, let alone understood, by a little élite locked in Ottawa. My colleagues and I will often be out across the country, asking questions as well as answering them, seeking actively to build a consensus that can be the only source of effective policy making in so diverse a country as Canada. Let me begin that process today by discussing some of the realities of Canada's present economic situation.

In the short term at least, one of the most basic of those realities is that we now have in place in this country a full-fledged system of comprehensive price and wage controls. As I need hardly emphasize, there was much about the introduction of that control program which we in my party did not like. We frankly resented the fact that a government which won a national election on a platform of very strong opposition to controls, would then turn around and introduce just such a program. We felt strongly that there was a need for an introductory "freeze" period, during which the government could sit down with the major groups concerned and work out the very difficult administrative details. I believe that experience has proved us right in that regard. We were concerned, too, about the lack of adequate appeal procedures in the government's program and, above all, with the fact that the legislation placed before Parliament suggested that the program would remain in place for at least three years — almost double the time period for which we thought such a program was feasible without inspiring serious distortions and injustices within the Canadian economy.

Having said that, however, it is time that all of us accept the reality of the current controls program and deal with it as a reality. That is not to say that any of us need forego the right to suggest improvements in the mechanics and procedures of the current régime. But it is to suggest that, in my view, it is neither productive nor, frankly, in the national interest for any group at this point to devote its energies or resources to attacking the program per se. The program of controls is a fact of life. Let us focus our attention now on more important questions which are anything but resolved and which will only be resolved with the active participation of all the major groups in our society.

Lest anyone believe that I have become an apologist for the current government, let me hasten to add that, if it is incumbent on the rest of us to accept the fact of the controls program, it is equally incumbent upon the government to react to that public acceptance in a frank and honest manner. That places at least two basic demands upon the government and the Prime Minister.

First, the basis for public acceptance of the program rests squarely upon the expectation that these are temporary controls, imposed for a limited period to break the inflationary psychology. That means that the Prime Minister has a duty to assure Canadians that this program is indeed of a limited duration, and that it is not merely a preparation for some system of permanent controls. I am not saying Mr. Trudeau need at this point guarantee us a precise date on which the entire program will end, although my colleagues and I intend to continue to seek a specific date in law by which the program must terminate. However, we can and should receive the Prime Minister's assurance that the government does not intend to impose the current régime indefinitely and we have a right to a guarantee that, when the present program begins to wear thin, the government will not pretend that the answer to any weakness in these controls is more controls. I do not support permanent controls; and I do not believe that the people of Canada support permanent controls.

If the government is to warrant public acceptance of the controls program on a temporary basis, it seems to me it is also incumbent upon the Prime Minister to take full and positive advantage of the breathing space such a program offers — and that is all it offers — to work out with Canadians a meaningful consensus on longer-term measures. That means the government itself must be prepared to lead and to sponsor a genuine national debate on our future economic goals and priorities.

As a Parliamentarian, who believes in the institution of Parliament, it seems to me that the place to start is with the appearance, before a Parliamentary committee, of the Minister of Finance, the Clerk of the Privy Council, and any other ministers or senior public servants involved, to make a full statement of all of the public policy options being considered for the so-called "post controls" period.

That statement, and consequent cross-examination, should occur before a budget is brought down next month. It would provide a context within which the budget can be judged, and would also demonstrate a new recognition on the part of the government that Parliament and public have a right to know the premises on which public policy is based.

The second reality is that most of the economic debate that has occurred recently in Canada — whether it has arisen from the Prime Minister's New Year's performance or other such inspiration — has been more rhetoric than real, caught up too much in emotional confrontation over buzzwords like "free enterprise" and "socialism" and has been too little concerned with the practical and very real choices which face us as a nation.

Indeed, if we are to have the kind of thoughtful national debate which I believe those choices demand, I would suggest as a starting point that we all agree to cool the rhetoric. We are not on the verge of some kind of economic apocalypse and it is inflammatory and foolish to act as though only some massive overhaul of our entire economic system can save us all from doomsday. The problems, in my view, are real and concrete; our discussion of them can and should be precise and constructive.

Equally important, it is time to end the blame game. We have spent too much time in a kind of national game of "pin the tail on the donkey", each major group trying to establish that everyone else is at fault for our current difficulties. Governments blame unions today and the banks tomorrow ... industry leaders would have us believe that all would be well if only unions were more responsible and governments more businesslike ... organized labour rails equally against big business and government.

That is a crusade without a convert. Positions never change and the ultimate irony, of course, is that all concerned realize that there is no single villain, but that we all share as the source of our problems just as we all share a responsibility for making some progress.

It is time to turn our attention to a more positive debate about the real issues which face us and the concrete answers we must find. There are, for example, very real questions to be discussed and decided about the rate and type of economic growth we should strive for in this country in the years immediately ahead.

I, for one, cannot take seriously the supposed option of zero growth. There simply are too many Canadians, including thousands of those currently listed as unemployed, and thousands of others who earn below the poverty line, who are without an adequate quantity of life for me to believe that we have reached the point where we can singlemindedly pursue only the quality of life. Without growth, we will either make poverty permanent for a large number of Canadians or we will seek to redistribute a static national wealth among a growing population. I reject the former option as being not in keeping with Canadian concepts of human dignity; I believe the latter could only lead to the most serious political and economic tensions within the Canadian community.

Having rejected that extreme, there is a multiplicity of choices facing us as to the rate and type of growth to which we might aspire. Certainly, at the other end of the spectrum, I doubt that few, if any Canadians still adhere to the proposition of maximum economic growth, regardless of other costs. We accept the need for limits to growth, limits which recognize the very real environmental threat posed by certain kinds of industrial activity, limits which acknowledge that there are more complex measurements to the advancement of our society than simply our Gross National Product.

The answer, as always, lies between the extremes. But where? If we have learned anything from our recent experience, it must be that we simply cannot have everything. We must make choices, hard, difficult choices. We must make choices as to the sheer amount of public services we can ask our governments to deliver without endangering the capacity of our private sector to generate the wealth on which governments must ultimately depend. We must make trade-offs between the vast amounts of capital investment we now are planning in fields like energy development and the costs those investments will pose for us, including the cost of not having that capital available for use in other areas. We must make the hard choice between how much we want to consume now and at how much risk to our future.

I would not begin today to claim to have answers to these and other questions on our national agenda. But I do feel a very real sense of urgency — and yes, a sense of impatience — over the lack of any meaningful debate about these questions in the recent past. Such a debate is going to take time and we will all need our fair measure of patience to see it through. For this debate cannot be a win-lose situation with any one sector — including, I should stress, government itself — winning all the debating points. We are talking about a very real exercise in national priority-setting and that is not an effort in which, in the final analysis, any one sector can seek to impose its will in an arbitrary or unilateral fashion upon the rest of society.

I do not want to engage in partisan debate this afternoon, but I must confess a real concern when I hear the Prime Minister say, as he has on several recent occasions, that he sees the choice facing us as one of Canadians deciding whether we will accept what he terms the new values voluntarily or whether they will have to be imposed by government. That assumes that the new values have already been decided. It assumes also a dangerously paternalistic view of government. The values of a society, if they are to have any real meaning and application, must emerge from that society itself and reflect a genuine consensus among us. They cannot be imposed, and the Prime Minister, instead of threatening to impose his own values, or John Kenneth Galbraith's values, or the values of some secret super-group in Ottawa, should instead establish procedures which let the whole country debate and decide the values we want to live by.

That is not a process simply for governments or for politicians; it must involve all elements within the Canadian community. But I do believe that it is extremely important that Parliament serve very much as the fulcrum of this process.

When I speak of Parliament and its powers, that is not merely the cry of a frustrated Opposition Leader seeking a piece of the action. Rather, it reflects my deep concern that, unless Parliament is able to play a central role in this process, we are in danger of eroding further the basic tenets of responsible government in this country.

It may well be fair criticism to suggest that Parliament currently is not working as it should. We can all accept some of the blame for that, including those of us who labour within the system itself. But in my view no small part of the problem stems from the fact that, consciously or unconsciously, we have over recent years moved more and more of the effective national debate to other forums — "anti-parliaments," as one commentator has called them — which have only the most tenuous connection with Parliament itself and which function in a direct line relationship to government with none of the checks and none of the balances which should exist within the system. While that has been happening outside Parliament, rule changes inside the House of Commons have virtually eliminated the ability of that institution to control, much less defeat, a majority government.

I don't for a moment suggest that we should not have federal-provincial conferences, or bodies like the Economic Council and the Science Council, and various think tanks and task forces. All or, at least, many of them can have a legitimate role within the system, particularly if the government starts to pay attention to what they propose.

But the growing influence of these anti-parliaments, and the deliberate weakening of Parliament itself, together move us towards authoritarian government. In fact, they move us back to King John who, before parliaments were established, was able to govern exclusively on the basis of private advice and personal whim. On another occasion, I want to suggest some changes in the power of Parliament that will allow that institution to again exercise some control over the new king and his courtiers, and still allow work to be done. But one basic reform, that requires only a change in attitudes, would be for the government to take Parliament seriously, as a national forum. As I have suggested today, one dramatic way to begin would be to require the planners of the post-controls society to come quickly before a Parliamentary committee, to come clean about the plans and options being considered, and then to stay around for questions and debate, so that Parliament can perform the function it won from old King John.

It seems to me more than timely that we reassert the role of Parliament as the centre piece of our national decision-making. Otherwise, whatever the catchword we apply to it, we are headed either for a kind of authoritarianism in which decisions effectively are made on a unilateral basis by the executive; or towards a form of corporatism in which government strikes its bargains directly with the major interest groups in society. I don't believe that either of those options is in keeping with our traditions and, more important, with the needs of a modern and diverse country.

We need more openness in our decision-making system; we will not achieve that by concentrating even more power in the hands of a small group at the executive level of government. We need more genuine conciliation and consensus; we will not get that by promoting the power of arbitrary and unilateral decision-making. We need a new sense of direction for Canada; only a revitalized Parliament can provide it.

I am here, two months into my mandate, as the national leader of what I prefer to regard, not as the opposition party, but as the alternative government. My colleagues and I are motivated by a very deep sense that Canadians now are edging towards desperation, beyond mere concern, as they look at the development of national policy and national priorities. We are a political party. We have political work to do. But we do not have and we do not intend to play political games. The future of our country is far too important for that. I and my colleagues in the House of Commons, the men and women who we hope will stand with us as candidates to form a national government when that time comes, take our job and take our country very seriously. I know that however much some of us might disagree on certain questions, this concern is also shared very deeply here in this club and among other groups in other parts of the country.

We have work to do in Canada. I, by a combination of good luck on my part and good judgment on the part of my party, am in a position to carry an unusually heavy obligation in that regard. I intend to honour that obligation. I can do it well only with your non-partisan encouragement and help. I am sure that sense and sentiment exists. I am honoured to be here today in what I hope will be the first of several opportunities for us to meet together and to discuss and to develop the future of a country that is, literally, unlike any other country in the world.

Our distinguished guest and speaker was thanked on behalf of the audience by Mr. Henry N. R. Jackman, a Past President of The Empire Club of Canada.

APRIL 29, 1976

President's Report—Annual General Meeting

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

Your Excellency, Right Honourable Sir, My Lord Bishop, ladies and gentlemen: We bid you a cordial welcome to this luncheon meeting of The Empire Club of Canada. This is our Annual Meeting 1976, as well, and for the occasion your head table committee thought it appropriate that we should gather together the executive officers of the club in order that you might recognize their contribution to our affairs during this past year.

Notice having been given in accordance with the provisions of the Constitution, I declare this Annual General Meeting, 1976 of The Empire Club of Canada properly constituted and opened.

Again acting within the dictate of the provisions of the Constitution, I have prepared the report of the President on the year's proceedings, copies of which are before you at your tables. With your indulgence I will not read the report but would refer you to the Treasurer's interim statement contained in it and move the adoption of the report reiterating, if I may, that it has been for me a privilege and an honour to have served as your President this year.

PRESIDENT'S REPORT

This has been the year of the great national debate concerning the nature and dimensions of our current economic problems and the means by which these difficulties might be ameliorated, if not totally resolved. It should occasion no surprise that such an exercise should have engendered some thinking, and rethinking, about fundamental issues involving the type of society which we would build or maintain in this country. That there remains some time and opportunity for choice is a circumstance for hope as well as challenge.

The Empire Club of Canada has been privileged, during the course of this year, to provide a forum in which many distinguished and informed people have addressed themselves to these subject matters. In that role we have, I believe, performed a most useful service to our community and our country. But in indulging our interest and concern for the practice of the art and science of politics, as a means for making national survival possible, we have tried not to neglect the subject of our cultural heritage and its future through which survival is rendered desirable. And in an effort to leaven the lump, we have sought and been honoured to have with us speakers from the United Kingdom, United States, Switzerland, South Africa and Israel.

With the helpful co-operation of a host of close friends of the club, we were able to maintain our customary level of activity with the holding of 29 luncheon meetings, including the Annual Christmas Party. The average attendance at 28 meetings, excluding the Christmas Party, numbered 312 and, with it, 323. Special reference is made to the first meeting of the year on September 25, 1975, when we were privileged and honoured to have with us, as guest and speaker, The Right Honourable Margaret Thatcher, P.C., M.P. Both the Canadian Room and the Ontario Room were filled on this delightful and historic occasion and the event proved to be an inspirational launching of the new season. Much of the initial planning for this meeting was done by my predecessor and our illustrious Immediate Past President, Sir Arthur Chetwynd, and we were the happy beneficiaries of his efforts.

The Annual Christmas Party fulfilled our expectations as a congenial and festive family affair, chiefly because Her Honour the Lieutenant Governor of Ontario, Dr. Pauline McGibbon, and Mr. McGibbon were in attendance. We were happily entertained in the seasonal vein on this occasion by the John Hodgins Singers, alumnae of Bishop Strachan School.

On April 22, 1976 the spring term was highlighted by the luncheon meeting at which our guest and speaker was Mr. Joe Clark, the Honourable Member for Rocky Mountain, Alberta, recently elected leader of the Progressive Conservative Party of Canada and leader of Her Majesty's loyal opposition in Parliament. The attendance at this gathering exceeded 1,350 and we were extremely sorry that we were compelled, through lack of space, to disappoint approximately 3,000 additional people who had signified their desire to attend.

The proper allocation of tickets for special events continues to be of concern to your executive and attention will be devoted to this matter in the coming year with a view to establishing a formula for the realization of the legitimate expectations of our membership. We offer our sincere apologies to those who may have been disappointed on this count for these special occasions this year.

The total membership of the club decreased slightly from the figure of 2,453 of one year ago. As of April 26, 1976 the current figures are: honorary members 15; life members 91; renewals 1,943; new members 365, for a total of 2,414.

It would appear that the membership statistic in recent years has been relatively static and, failing some dramatic new procedures for increasing membership, any increased revenues for the club will require an increase in membership fees. This concern, no doubt, will be dealt with by your new executive, since we could not have hoped to avoid the current syndrome of escalating costs.

We were greatly saddened, during this year, by the irremediable loss to our membership of the late Nathan Phillips, Q.C., and it was with a sense of rare privilege and deep sorrow that a tribute was paid to him at our meeting on January 8, 1976.*

The Board of Directors and your executive officers, in a laudable attempt single-handedly to stem the inflationary tide, decided to try meeting an anticipated increase in operating costs this year by recruiting additional members rather than by increasing membership fees. Not unpredictably, our campaign for additional members fell short of our goal but, happily, additional revenues from special events more than offset this shortfall, with the end result that the club will experience a surplus on the year's operating account in the neighbourhood of $5,000, with a resulting increase in the members' equity to $26,500.

On behalf of the general membership, I would ask permission to tender their thanks to the members of the Board of Directors for the general supervision, policy direction and the splendid support which they, individually and collectively, have given to the affairs of the club this year. Many members of the Board also assume additional and onerous responsibilities as chairmen and members of the standing committees. To those retiring from the Board and executive offices today, we offer our special thanks.

The efficiency of the day-to-day administration and the success of the club's program in large measure is due to the competence and devotion of the chairmen and membership of our standing committees. Increased demands have been made upon them this year in an effort to broaden the base of administration and harness available talent. They have responded magnificently and we thank them in recording their names:

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* See page 202.

Head Table:	Brigadier General Reginald Lewis, Chairman and 3rd Vice-President.
Attendance:	J.A. William Whiteacre, Esq., Q.C., Chairman.
Budget & Finance:	Mr. Ronald Goodall, C.A., Chairman and Treasurer.
Constitution:	Bredin Stapells, Esq., Q.C., Chairman.
Membership:	Mr. Ian J. Collins, Chairman; Mr. Donald H. Carlisle, Vice-Chairman.
Reception:	Dr. Clarence B. Crummey, Chairman; Dr. James A. Parish, Vice-Chairman.
Publicity & Public Relations:	Dr. John Fisher, Chairman and 1st Vice-President; Mr. Peter Hermant, Vice-Chairman and 2nd Vice-President.

In thanking these heads of committees, we recognize and wish to thank all those who served under them as members of the committees and on their secretarial staffs. We would also record our thanks to Mr. Leland H. Ausman, Secretary, Mrs. Eleanor Cook, Office Secretary, and her assistant, Mrs. R. Wilson, for their devoted service and efforts on our behalf.

Because we owe them much for their good will and complete co-operation, we are happy to record here our appreciation to the management of the Royal York Hotel, Mr. A. Gordon Cardy, Vice-President and General Manager, and his staff — Mr. Al Horbay, Mr. Adriano Ferreira, Mr. Carlos de Casta.

In conclusion, may I express my personal thanks for the opportunity afforded me of serving The Empire Club of Canada.

All of which is respectfully submitted.

The report was adopted.

MR. LEAL:

May I now call on Mr. Robert L. Armstrong, Past President and Chairman of the Nominating Committee, to deliver the report of that Committee.

MR. ARMSTRONG:

Mr. President, Your Excellency, Honoured Guests, ladies and gentlemen: It is my privilege to present the report of the Nominating Committee, which by the terms of our constitution is made up of five members of the Board of Directors and four other regular members of the club. The following persons served:

From the Board of Directors:
Mr. William M. Karn, Mr. John MacNaughton, Mr. Vladan Milic, Dr. James A. Parish, Mr. Robert L. Armstrong (Chairman).

From the General Membership:
The Honourable Margaret Scrivener, Dr. Harold V. Cranfield, Major-General Bruce J. Legge, Colonel Edward A. Royce.

Ex-Officio:
The President, Mr. H. Allan Leal.

The Nominating Committee is required to place in nomination at the Annual Meeting the names of forty members, including at least four Past Presidents, for election as Directors, and it is further required to recommend one member for appointment as Honorary Auditor. In addition, the Nominating Committee has the responsibility of recommending the names of members for appointment by the Board of Directors as Officers of the Club for the ensuing year. The Committee is pleased to nominate the following as continuing Directors:

Philip J. Ambrose
Donald H. Carlisle
Catherine Charlton
Ian J. Collins
Dr. Clarence B. Crummey
Douglas L. Derry
Marcel A. Desautels
A. Carlyle Dunbar
Hugh R. Franks
Duncan Green
John D. Herrick
Charles C. Hoffman
Peter W. Hunter
J. Alex Langford
W. Malcolm McIntyre
Ian D.C. McPhail
Vladan Milic
Dr. James A. Parish
A.C. Ryley
Harry T. Seymour
Michael A. Stevenson
Hugh P. Stewart
John G.B. Strathy
Gordon W. Swayze
Terrence Tyers
The Reverend J. Robert Watt
J.A. William Whiteacre

John W. Fisher, best known as "Mr. Canada", who served as First Vice-President during the past year, will continue to serve as a Director.

As new members of the Board of Directors, we are pleased to nominate Colonel S.F. Andrunyk, who is Executive Director of the Ontario Safety League; Mr. Jerry A. Collins, who is General Manager of the Board of Trade of Metropolitan Toronto; Mr. Robert Doty, Manager — Toronto Area, Canadian National Railways; and Lieutenant-Colonel R.G. Douglas, Manager of Medical, Education and Government Systems Marketing, National Cash Register Canada Ltd.

The Past Presidents who remain as Directors under the provisions of the Constitution are our present incumbent, Mr. H. Allan Leal, Q.C., whose distinguished reign terminates today; Sir Arthur Chetwynd, Bt.; Mr. Robert Armstrong; and Mr. Joseph Potts, Q.C., C.D.

We are proud to recommend to the Board of Directors of the Club, for appointment as Honorary Officers, the following distinguished persons: Honorary President, the Right Honourable Jules Leger, Governor General of Canada; Honorary Vice-President, the Honourable Pauline McGibbon, Lieutenant Governor of Ontario; Honorary Solicitor, the Honourable John P. Robarts, Q.C.; Honorary Secretary, Mr. Willis Blair; Honorary Assistant Secretary, Mr. George Stafford; Honorary Treasurer, Mr. Marvin Gelber; Honorary Assistant Treasurer, the Very Reverend Ernest Howse; Honorary Historian, Mr. Ernest Miles; and Honorary Auditor, Mr. Harry T. Jamieson.

We are pleased to nominate for consideration by the new Board of Directors, the following members for appointment as officers of the club: Secretary, Mr. Leland Ausman; Treasurer, Mr. Ronald Goodall; both of whom have served our club so well in the past. To assure continued excellent leadership, we recommend for 1st Vice-President Mr. Peter Hermant, who has been reared in the

Empire Club tradition; for 2nd Vice-President, Brigadier-General Reginald W. Lewis; and for 3rd Vice-President, Mr. John A. MacNaughton. Each of the last named nominees is well known to members of the club and I shall not elaborate further on his qualifications.

As the new President of our club, the Nominating Committee is delighted to recommend Mr. William M. Karn, International Marketing Manager, Erco Industries Limited. Mr. Karn's business travels have taken him to 37 countries all over the world. The expression "travel broadens one" can only be taken figuratively in Mr. Karn's case because literally it appears to help him stay slim and trim.

William Karn was raised in Woodstock, Ontario, and graduated with a B.Sc. in Chemical Engineering from the University of Toronto. He has taken post-graduate studies at the School of Business Administration, University of Western Ontario. He has served on the Council of the Chemical Institute of Canada and on the Board of the Canadian Export Association. He is Chairman of the Trade Policy Committee of the Canadian Manufacturers Association and has been a member of the Executive of the Board of Trade Club of Metropolitan Toronto. He presently serves on the Board of Stewards of Royal York Road United Church. William Karn has been a Director of this club for the past five years and is well suited to be our 74th President.

On behalf of the Nominating Committee, I move the acceptance of this report.

MR. LEAL:

It is moved by Mr. Armstrong and seconded by Dr. Harold Cranfield that the report of the Nominating Committee be adopted. Carried. Ladies and gentlemen: I know that you would all want to join with me in thanking Mr. Armstrong and his colleagues on the

Nominating Committee for the excellent report which has been submitted.

May I ask if there are any further nominations? Moved by Mr. Horace Harpham, seconded by Mr. Ford Ralph that nominations be closed. Carried.

I would ask the Secretary, Mr. Lee Ausman, to cast a single ballot for the directors as named in the report of the Nominating Committee. I declare these gentlemen duly elected as Directors of The Empire Club of Canada for the ensuing year.

It gives me great pleasure to call upon Mr. William Karn, the president-designate, to address you.

MR.KARN:

Your Excellency, My Lord Bishop, distinguished guests, ladies and gentlemen: To be asked to serve as your President for the coming year is indeed a great honour. When I originally agreed to act as 3rd Vice-President I felt that I would have three years during which to prepare for the presidency, but this was not to be. Those of you who know Mr. Robert Armstrong realize that while you may refuse him once you cannot refuse him twice.

Because I feel ill-prepared for this high office and have been given minimal advance notice, several past presidents and others have already promised maximum support in arranging for a program of suitable speakers — but I need more help. I need the assistance of every member of the club in maximizing attendance at each meeting and in bringing in as many new members as possible. If we all work together I am sure that we will have a successful year and maintain that tradition of excellence which has been the hallmark of the Empire Club since it was founded in 1903.

At this time I know you would want me to remind Allan Leal that we greatly appreciate the leadership he has given the club during the past season. It has been a delightful experience to observe his performance at this podium and those of us who have been working with him on the executive have had the added pleasure and benefit of his administrative guidance.

And now a word to the newly elected Directors and officers of the club. We have work to do. Would you kindly gather for a few minutes in the adjoining salon at the conclusion of this meeting.

APRIL 29, 1976

Where are Canada and the U.S. Going?

AN ADDRESS BY His Excellency,
The Honourable Thomas O. Enders,
UNITED STATES AMBASSADOR TO CANADA

CHAIRMAN The President,
H. Allan Leal, Q.C.

MR. LEAL:

We extend a warm and cordial welcome today to His Excellency, the Honourable Thomas O. Enders, United States Ambassador to Canada, on his first visit to this club since his appointment. We are especially pleased that his visit should have coincided with the bicentennial celebration of the founding of the great republic to the south. Your Excellency, may we convey to you and through you to your country and countrymen our sincere good wishes and fondest regards on this milestone in the history of your country.

In reflecting on those historic events, I feel confident that if the weather on December 26, 1776 had been anything like it was in Toronto last week-end, Washington would not have made it across the Delaware, and the course of history might have been quite different. On one occasion I was appearing as an expert witness in a jury trial at Morristown, near Valley Forge, and the rigours of that trial plus the result of the case made me mindful of the privations that Washington and his men must have suffered.

There are, of course, special reasons why Your Excellency should feel at home here in Toronto. Due to the vagaries of Mercator's projection, if one were to draw a line east through this head table, it would pass very close to our distinguished guest's home town in Hartford, Connecticut — give or take a degree or two. Also, may I suggest that he will find the dimensions of some of our structures very much in keeping with his own stature. We were glad to respond to a request of the Consul General's office to provide an outsize lectern for the occasion and, in this connection, we thought of using the CN tower.

As a Yale man, I'm sure His Excellency would have preferred not to be introduced by a Harvard graduate, but I, in turn, am restored in faith and confidence when I observe that in addition to his Yale degree he holds the Master's degree from Paris and Harvard as well. This assuredly will excuse his earlier and temporary fall from grace.

Our distinguished guest entered the government service as a research specialist, Division of Research and Analysis for the Far East, 1959-60, and was an economics officer in Stockholm from 1960 to 1963. From 1963 to 1966, he was a supervisory international economist in the Bureau of European Affairs, and from 1966 to 1968, a special assistant in the office of the Under Secretary of State for Political Affairs.

He has served as Deputy Chief of Mission in Phnom Penh and in Belgrade. During 1968-69 he was Deputy Assistant Secretary of State for International Monetary Affairs and since 1974, Mr. Enders has been Assistant Secretary of State for Economic and Business Affairs.

I am privileged then to welcome, on your behalf, His Excellency the Honourable Thomas O. Enders, United States Ambassador to Canada, and to invite him to address you on "Investment and Resources: Where are Canada and the U.S. Going?"

His Excellency,
The Hon. Thomas Enders,
United States Ambassador
to Canada.

MR. ENDERS:

Mr. President, ladies and gentlemen: It used to be when visitors came to Toronto and saw your great financial centre, your powerful industrial base, your remarkable success in urban development, they could always say that Toronto has everything — everything but baseball. Now you may be getting that too. That would make you almost too good to be true. I just hope Toronto and Montreal don't stage an All-Canadian World Series as long as I'm Ambassador here. I'm not sure U.S.-Canadian relations could take it.

What I'd like to talk about this afternoon is central to your achievement in Toronto and throughout Canada, and to ours in the United States: that is investment and resources. They are not only central, they are the subjects most fertile in misunderstandings between us, in mutual suspicions, in real or imagined conflicts of purpose.

In the two months since I've been here, many Canadians have told me they welcome U.S. and other foreign enterprise for what it can contribute to Canada's prosperity. Others tell me that Canada cannot be itself unless U.S. enterprise plays a lesser role in the Canadian economy.

Americans also differ over foreign investment. Many think society will benefit most if we leave it up to investors where to put their money, at home or abroad. Some worry about foreign domination; others worry that capital export will mean job export.

Some Canadians tell me that resource development, including resource export, will increase Canadian prosperity in the future as in the past. Others say that in a world of depleting resources Canada must husband supplies, foregoing exports and even growth now in order to secure a resource base for the future. Others tell me that Canada should process its raw materials to a higher degree, to develop a more diversified and sophisticated economy.

In the United States people believe that resource trade with Canada can be mutually advantageous in the future as in the past. But they fear that overdependence on any single source will expose them to abrupt shifts in supply availability and pricing.

That's at least what people say in the polite circles I move in. What they think is perhaps more to the point. Some Canadians think the U.S. is out to grab their resources and dominate their economy. Some Americans think Canadians are out to use your commodity power to gouge us.

I am not here today to argue out these points of view. They are as much a part of the real world as the underlying facts they so variously represent. But I want to ask not what we think, but what we are going to do? For the world is again changing.

In the first generation after the war, Canada and the United States co-operated closely in economic and resource development. American capital came to Canada on a vast scale, Canadian resources were exported to the States, also on a vast scale.

Then a reaction set in. Canada debated the role of foreign investment, and began to curb it. Concern over the depletion of non-renewable resources grew, aggravated by the energy crisis and culminating in actions to limit Canadian exports of resources. That caused some turbulence between us.

But while the debate was going on a new pattern emerged in trade and investment between us. It does not correspond to the stereotypes of the past. The great post-war influx of U.S. direct investment has subsided. A major flow of Canadian direct investment to the States is developing. Trade between us in commodities is far more balanced than we had thought. The legacy of disparity is still with us, yet a new symmetry is emerging.

The question I want to pose is where do we go from here?

It is clear that the needs of both societies for investment and resources, and for efficiency in their use, will increase enormously in the future. At the same time, reliance on one another arouses concern — on both sides.

We have a choice. We can leave things as they are, and satisfy our concerns by balancing exchanges at lower levels. This appears to be the current trend, in direct investment, in energy and possibly in some other resources.

Or we can begin to build a larger framework, involving other countries, in which we can find co-operative solutions to our resource and investment needs and balance our two-way exchanges at higher levels.

Let me start with where we are in investment. The great post-war inflow of U.S. direct investment to Canada is clearly over. In the early 1960's some $1 billion a year came in. Now, for a number of years, inflows (if you allow for price increase) are less than half as big. The recession year of 1975 was less than a quarter as big.

What accounts for the change?

The effort of U.S. manufacturers (and they account for most of the investment) to "get close to the market", to establish behind the tariff wall, seems largely complete. The new firms, once established, have grown by plowing back much of their earnings.

In many industries, the United States has become a more attractive place to locate. Over the past ten years, unit wage costs in manufacturing increased almost twice as much here as there. Canadian costs in many sectors now exceed U.S. costs. The trend continues.

Other countries have proved more attractive. In the early 1960's one U.S. direct investment dollar out of three came to Canada. Now it's one dollar out of six.

Finally, uncertainty inhibited some investors as Canada debated attitudes toward foreign investment and acted to control it.

The other side of these developments is growing Canadian direct investment in the States. Ten years ago such flows were insignificant, but in the 1970's they have greatly increased. Now Canadians are investing almost as much in the U.S. as Americans are in Canada. Like U.S. firms before them, large Canadian enterprises are trying to get close to the market. And they often bring advanced technology with them.

Are these trends likely to continue over the next several years? The answer is probably yes. For one thing, it will take some time for Canada to correct the shift in its competitive position.

Moreover, the climate for direct investment remains uncertain. American investors are sensitive to the special concern of Canadians to foster viable Canada-based enterprises. That is in both our interests. But U.S. investors have begun to wonder whether the deck isn't gradually being stacked against them. They wonder how far the controls will go, now that they have begun.

I leave to you whether this drying up of direct investment from the States is good or bad. It is costing you some entrepreneurship, advanced technology and capital you would otherwise receive. On the other hand, it responds to the desire of those who would wish to see the role of U.S. enterprise in the Canadian economy diminish.

From a U.S. point of view, there are three things to be said about the new trend.

First, we have no need to export capital. We don't have enough ourselves to meet our needs for expansion, energy invulnerability and the environment.

Second, we would be concerned, as I know you would be, if our investment relationship were marked by disputes and misunderstandings.

Third, investment is of such importance to the future well-being of the United States and Canada that a co-operative approach would seem to be in both our interests.

Now, let me turn to resources. One of the great myths of Canadian-American relations is that you produce raw material and trade them against our processed goods. You are, so the saying goes, "hewers of wood, drawers of water", while we do supposedly more noble work.

Does this image correspond to the facts?

Not in agriculture. We sell you $1 billion a year more than you sell us.

Not, and this is important, in crude material other than energy. In this sector our trade is balanced.

Nor will the energy sector any longer show a lopsided Canadian surplus. When you phase out oil exports, your coal purchases from us will be half as big as your gas sales to us. And they are growing.

In goods processed from non-renewable crude materials, like chemicals, iron and steel, non-ferrous metals and manufactures, we have a big two-way trade that gives you a surplus of $1 billion.

You do have a big surplus, about $3 billion, in goods processed from renewable forest products, such things as lumber, pulp, newsprint and paper. But whether it will remain that big in the face of the challenge now coming from the forest products industry in the southern U.S. remains to be seen. Already we export to other countries nearly as much in forestry products as we import from you. It seems that we are in competition with you as "hewers of wood". Nor, I should add, do U.S. enterprises in Canada confine you to the role of raw material producers. Exports of oil, gas, ores and wood account for less than a tenth of their sales.

What do these figures mean?

They mean that if you have a lot of "commodity power" in trade with us, we have just about as much in trade with you.

They mean that if you have both advantages and disadvantages in trading commodities, so have we.

They mean that the two of us should be able to discuss the future of commodity development from about the same point of departure.

As you know, there are few subjects more controversial than the future of raw-material supplies, particularly non-renewable ones. There are those who insist that the world is approaching the limits of growth; that scarcity will dominate; that raw materials will get progressively more expensive relative to everything else. There is also the view that capital and technology will make development of less rich lands and ores possible in the future as they have in the past and do now.

Frankly, nobody knows the answer, and it's easy to go broke betting too heavily on one approach or the other. But some things can be said.

One is that new commodity development in your country and mine will be enormously capital intensive. Even in well-established industries like nickel and iron, new capacity requires several times as much investment for each unit of output as ten years ago. For new industries, like deep sea-bed mining, oil shale and tarsands, the multiples are bigger. The question is: how is capital on this scale going to be raised?

Secondly, going it alone is an option for both our countries. It is not an attractive one for us. At the present time, the U.S. is, on balance, self-sufficient in commodities. We import a lot of energy; export a lot of foodstuffs, and balance out in all other commodities taken together. If commodity prices are to double, we would move towards a net surplus position. We would eventually substitute our vast aluminum-bearing clays for imported bauxite; produce most of our own non-ferrous metals and fertilizers rather than import them, and so forth. But going it alone would be enormously expensive for us, just as it would be for you or any other country.

Third, the present world tariff structure impedes efficient location of raw materials processing.

This is a point Canada has often made. All the main trading countries — the U.S., Japan, the Europeans, you too — charge higher tariffs on processed than on crude material, a practice known as "tariff escalation". A more rational structure of world trade could emerge if escalation were reduced. At the same time I should caution that it is not always possible to predict whether a country will benefit economically from higher processing. It can help create managerial and technical capabilities that otherwise would not exist. It is often energy-consuming, and may not be a high-profit operation, unless undertaken on a large scale.

Fourth, it should be possible to make more efficient use of raw-material capacity in our two countries than at present. Commodity markets tend to be highly cyclical, with periods of over-capacity succeeded by supply crunches. Co-ordinated efforts to build national economic stockpiles and use them counter-cyclically could keep capacity at work during the slumps and obviate the need for extra capacity at the peaks. Economic stockpiles, however, would themselves require major capital investment.

My conclusion is this. Both Canada and the United States would like to have it both ways. Where we are consumers, we want low prices and secure supplies. Where we are producers, we want market control and high processing.

But do we not need each other in so many ways: to mobilize capital; to rationalize markets for processing industries; to provide a two-way flow of crude materials; to stabilize commodity markets, that we could both benefit by a broad co-operative approach here too?

One of the most difficult problems in organizing the relationship between Canada and the United States is the difference in size. Canadians often point out that U.S. economic influence in Canada through investment and trade is incomparably greater than Canadian influence in the U.S. This is true. Yet your actions, as our greatest trading partner and, as one of our principle foreign investors, impact with great force on the livelihood of millions of Americans.

You sometimes say that it is like being in bed with an elephant. Americans, too, wonder how to cope with Canada, because we may be confronted with the choice of not reacting, or of taking an action that could have a disproportionate effect on you.

Clearly, we cannot establish unequal rules for our relationship. You don't want it. We don't want it.

But we both must exercise a particular forebearance. Americans must be sensitive to the special constraints imposed by the pervasive character of our economic presence in Canada. Canadians should not be indifferent to the impact of their actions on the United States, and should be aware of our efforts not to over-react.

And we can look to multilateral negotiations, bargaining designed to respond to the interest of many countries of various economic sizes, to establish disciplines within which we both can live.

How could this approach apply to investment and resources?

First, we could try to improve the investment climate by creating agreed international standards for the obligations and rights of foreign enterprise in each of our countries. We often say that U.S. enterprises in Canada must be good citizens. I think they are. But you have your standards and so have we. Should we not articulate by international consensus what we mean by good citizenship?

At the same time that we ask foreign enterprise to be good citizens, should they not also be assured that they will be treated the same way as national firms? Clearly there would have to be some exceptions, such as national security. Such an assurance would also leave open the possibility of refusing initial establishment to any foreign enterprise. But it would give stability to enterprises that are admitted and thus provide a firmer basis for investment decisions.

Negotiations on guidelines of this kind, not legally binding but a moral commitment, are now almost completed in the OECD (Organization for Economic Cooperation and Development). We hope that Canada will be able to join in the consensus, which would help prevent investment disputes that could otherwise arise between us.

Second, we could use the developing pattern of consultation between our countries to provide early warning and help identify solutions in the investment field, as well as others, so that disputes do not unduly affect the over-all investment climate. No matter what institutional arrangements we make, investment disputes will inevitably occur from time to time. We understand that your authorities will wish to review investment at first entry against standards of benefit to Canada. Provided you give us the same treatment as other countries, this is not an issue between us. But we would be concerned if you use your review powers to disadvantage U.S.-owned firms already established here in favour of their Canadian-owned competitors.

Third, we can use the current multilateral trade negotiations to move toward a more rational structure of raw material processing. This is a high-priority Canadian objective, and we agree with it.

In these negotiations the United States has just tabled a proposed rule for across-the-board tariff cuts which would, among other things, decrease tariffs on most processed goods by 60%. We hope Canada will give serious attention to our proposal, which meets many of your objectives. Similarly, we are prepared to consider how the Canadian proposal of sector negotiation can be used as a complementary technique.

Fourth, we can also use the multilateral trade negotiations to define and exchange for the first time undertakings on security of supply. This would involve, in return for comparable concessions, commitments to refrain from imposing quantitative restrictions or taxes on exports.

Fifth, should we not join together in multilateral action to stabilize commodity markets? The United States put forward a series of proposals to this end at the UN Special Session last September. The UNCTAD meeting that starts next week in Nairobi will be an important forum to consider such questions as how to finance buffer stocks, how to negotiate commodity arrangements, and how to provide new funds for commodity production in developing countries.

Finally, should we not use our consultative processes to anticipate and plan for shortages or other supply shocks. Gas is an area in which shortages on both sides of the border are possible this decade. We should plan for them in advance.

Since I've been in Canada I've heard about something called "Continentalism". I haven't actually met a "Continentalist" on either side of the border, so there can't be very many of them. For it simply is not true that what's good for the United States is necessarily good for Canada and vice versa. We have much in common, but our interests are not always the same.

I have also heard a good deal about "Canadian economic nationalism". Canadians tell me they want to assert a specifically Canadian economic identity, even if that means foregoing some advantages or accepting some costs.

O.K., Americans understand and accept that. We can and indeed have adjusted to it. After all, it's not as if nationalism were unknown on the other side of the border. We can do it too, and sometimes do.

But just because we have separate identities doesn't mean that we can't work together. Just because our interests are different doesn't mean that co-operation won't be of benefit to both of us.

Both our societies will have major requirements for the efficient use of scarce capital and resources in the future. Yet in these areas we are in danger of letting our differences dominate the relationship, and block out our opportunities.

What I would like to ask today is whether we haven't reached a symmetry in your interest and ours — investment and resource flows roughly balanced on each side — from which we can set a new direction?

If we have, the United States is ready to co-operate with you, in both a bilateral and multilateral framework, in finding new expansionary solutions.

Our distinguished guest and speaker was thanked on behalf of the audience by Mr. Arthur J. Langley, a Past President of The Empire Club of Canada.

AUDITORS' REPORT

To the Members,
The Empire Club of Canada,
TORONTO, Ontario.

We report that we have examined the Balance Sheet of The Empire Club of Canada as at 30th April, 1976 and the Statement of Income and Accumulated Surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these Statements present fairly the financial position of the Club as at 30th April, 1976 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

H.T. JAMIESON, LEMAY & COMPANY
CHARTERED ACCOUNTANTS.
Honorary Auditors.

TORONTO, Ontario
25th August, 1976

THE EMPIRE CLUB OF CANADA

BALANCE SHEET AS AT 30TH APRIL, 1976

ASSETS

	1976	1975
Current:		
Cash and Short Term Deposits	$35,569	$21,152
Accounts Receivable	290	589
	$35,859	$21,741
Government of Canada Bonds, 4½%, 1983, at Cost (Market Value $3,875 (1975 – $4,740))	5,757	5,757
Office Furniture and Equipment, at nominal value (Note 1)	1	1
	$41,617	$27,499

LIABILITIES

	1976	1975
Current:		
Accounts Payable and Accrued	$ 8,934	$ 457
Due to The Empire Club Foundation (Note 1)	5,420	4,615
Membership Fees and Luncheon Tickets paid in advance	1,380	1,560
	$15,734	$6,632

MEMBERS' EQUITY

	1976	1975
Life Membership Reserve Fund (Note 2)	$10,000	$10,000
Accumulated Surplus	15,883	10,867
	$25,883	$20,867
	$41,617	$27,499

THE EMPIRE CLUB OF CANADA

NOTES TO FINANCIAL STATEMENTS – 30TH APRIL, 1976

NOTE 1 – Accounting Policies:

Office Furniture and Equipment is recorded at nominal value and additions are charged to expense in years acquired.

The estimated charge from The Empire Club Foundation for the cost of supplying the Membership with the Year Book of the current year is accrued each year.

NOTE2 – Life Membership Fund:

This Fund was created by appropriation from Accumulated Surplus as at 30th April, 1975 in order to provide a continuing income to sustain the membership costs of Life Members.

On behalf of the Board

Ronald Goodall) Directors
H. Allan Leal)

THE EMPIRE CLUB OF CANADA

STATEMENT OF INCOME AND ACCUMULATED SURPLUS FOR THE YEAR ENDED 30TH APRIL, 1976

	1976	1975
Income:		
Membership Fees (including Life Membership Fees, $300 [1975 – $1100])	$35,265	$36,613
Luncheons, Net	3,804	1,410
Interest:		
General	2,109	2,992
Life Membership Fund	672	–
Other	–	631
	$41,850	$41,646
Expense:		
Members' Notices	$12,406	$14,368
Office Salaries and Employee Benefits	9,508	6,933
Year Book	5,477	8,341
Publicity and Promotional	954	621
Printing, Stationery and Postage	3,230	3,018
Rent	1,050	1,350
Meeting	2,270	3,121
Office and General	1,166	1,722
Telephone	773	796
	$36,834	$40,270
Net Income For Year	$ 5,016	$ 1,376
Accumulated Surplus at beginning of year	10,867	19,491
	$15,883	$20,867
Transfer to Life Membership Reserve Fund	–	10,000
Accumulated Surplus at end of year	$15,883	$10,867

1976-1977 *Officers and Board of Directors*

Honorary President	THE RIGHT HON. JULES LEGER, C.C.,C.M.M.,C.D., GOVERNOR GENERAL OF CANADA
Honorary Vice-President	THE HON. PAULINE MCGIBBON, O.C.,B.A.,LL.D.,D.U.(OTT.), LIEUTENANT GOVERNOR OF ONTARIO

Officers

President	WILLIAM M. KARN
First Vice-President	PETER HERMANT
Second Vice-President	B. GEN. REGINALD W. LEWIS, C.D.
Third Vice-President	JOHN A. MACNAUGHTON
Secretary	LELAND H. AUSMAN
Treasurer	RONALD GOODALL, C.A.
Honorary Secretary	WILLIS L. BLAIR
Honorary Assistant Secretary	GEORGE O. STAFFORD
Honorary Treasurer	MARVIN GELBER
Honorary Assistant Treasurer	VERY REV. ERNEST M. HOWSE, S.T.M.,PH.D.,D.D.,LITT.D.
Honorary Auditor	H.T. JAMIESON, F.C.A.
Honorary Solicitor	THE HON. JOHN P. ROBARTS, P.C.,C.C.,Q.C.
Honorary Historian	ERNEST MILES

Board of Directors

PHILIP J. AMBROSE
COL. S.F. ANDRUNYK
  O.M.M.,C.D.
ROBERT ARMSTRONG
DONALD H. CARLISLE
CATHERINE R. CHARLTON
IAN J. COLLINS
JERRY A. COLLINS
CLARENCE B. CRUMMEY, M.D.,
  F.C.F.P.(C)
DOUGLAS L. DERRY, C.A.
MARCEL DESAUTELS, LL.M.

R.V. DOTY
L. COL. R.G. DOUGLAS,
  O.ST.J.,C.D.
A. CARLYLE DUNBAR
JOHN FISHER, O.C.,LL.B.,LL.D.,
  D.S.S.,D.LITT.,D.U.(MONT.)
HUGH R. FRANKS, C.D.
DUNCAN GREEN
JOHN D. HERRICK
CHAS. C. HOFFMAN
L.COL. P.W. HUNTER, C.D.
J. ALEX LANGFORD, Q.C.

H. ALLAN LEAL, Q.C.,LL.M.,LL.D.
W. MALCOLM MCINTYRE
IAN D.C. MCPHAIL
VLADAN MILIC, F.R.A.I.C.
DR. JAMES A. PARISH
JOSEPH H. POTTS, C.D.,Q.C.
A.C. RYLEY, F.C.A.
HARRY T. SEYMOUR
L.COL. MICHAEL A. STEVENSON, C.D.
L.COL. HUGH P. STEWART, C.D.
JOHN G.B. STRATHY, C.D.
GORDON W. SWAYZE
TERRENCE TYERS
REV. J. ROBERT WATT, B.A.,B.D.
J.A. WM. WHITEACRE, MM.,C.D.,Q.C.

Immediate Past President H. ALLAN LEAL, Q.C.,LL.D.
Past Presidents SIR ARTHUR R.T. CHETWYND, BT.
ROBERT L. ARMSTRONG
JOSEPH H. POTTS, C.D.,Q.C.

Constitution

As amended April 26th, 1973

ORGANIZATION OF THE CLUB

ARTICLE I

Name

1. The name of the club shall be The Empire Club of Canada.

Purpose and Object

2. The purpose and object of the club is to promote the interests of Canada and the British Commonwealth by the consideration and discussion of subjects and events relating thereto and by any other means appropriate to the facilities of the club.

MEMBERSHIP

ARTICLE II

Classes of Members

1. The membership of the club shall consist of:
   - (a) Honorary members
   - (b) Life members
   - (c) Regular members
   - (d) Corporate members

   All members of classes (a), (b), (c) must be the full age of eighteen years.

Honorary Members

2. Honorary members may be elected by the unanimous vote of those present at a meeting of the board of directors. They shall be exempt from the payment of fees but shall not have the privilege of voting or holding office and their

membership shall be terminable at any time by a two-thirds majority of those present at a meeting of the board of directors.

Life Members

3. Members of the club in good standing (other than corporate members) and other persons regularly proposed may be elected life members by a two-thirds majority of those present at a meeting of the board of directors. Life members shall pay such a fee in one sum as may be fixed from time to time by the board of directors.

Regular Members

4. Save as provided in Section 5 of this Article candidates for regular membership shall be proposed by a member in good standing and shall be elected by a two-thirds majority of those present at a meeting of the board of directors. Save as provided in Section 5 of this Article regular members shall pay respectively such annual fees as may be fixed from time to time by the board of directors. Members elected after the first day of March in any year shall pay one annual fee only in respect of the period from the date of election until the thirtieth day of September in the following year. No member in arrears for fees after January 1 shall be considered in good standing.

Corporate Members

5. Any company, partnership or business organization shall be eligible for election as a corporate member. Applicants shall be proposed by a member in good standing and the application shall contain the names and positions of the persons nominated by the applicant as its representative regular members. The applicant and its nominated representatives shall be elected by a two-thirds majority of those present at a meeting of the board of directors. A corporate member shall be entitled to nominate such number of its

representative regular members as may be fixed from time to time by the board of directors and shall pay such annual fee as may be fixed from time to time by the board of directors, provided that such fee shall not be less than the aggregate fees which would have been payable on an individual basis by such representative members for the year in question. Save as in this section provided no fee shall be payable by or in respect of the representative regular members of a corporate member.

DIRECTORS

ARTICLE III

Duties and Powers

1. The affairs of the club shall be managed by a board of directors who may exercise all such powers and do all such acts and things as may be exercised or done by the club and are not by the by-laws or by law directed or required to be done by the club at a general meeting of its members. At all meetings of the board of directors the Chairman of the meeting shall have a casting vote.

Number and Quorum

2. The board of directors shall consist of forty members of whom sixteen shall constitute a quorum. The board of directors shall include at least four past presidents of the club, one of whom shall be the immediate past president and three others shall be the three past presidents immediately preceding the immediate past president if they are willing and able to act as directors.

Election of Directors

3. A nominating committee consisting of five members of the board of directors and four other regular members of the club shall be appointed annually by the board of directors at least thirty days prior to the annual meeting and

shall prepare a list of nominations for directors for the ensuing year. The chairman or acting chairman of the nominating committee shall report the nominations of that committee to the annual meeting at which the board of directors shall be elected, but nothing herein shall preclude the nomination of other persons for the office of directors at the annual meeting. If nominations do not exceed the number of directors necessary, the chairman of the meeting may instruct the Secretary-Treasurer to cast one ballot in favour of those so nominated and thereupon such persons shall be declared by the chairman to have been duly elected. No person shall be elected a director unless he is a regular member in a good standing and is a Canadian citizen or a British subject.

Meetings of Directors

4. Meetings of the board of directors shall be called by the President, or on a requisition signed by three of its members. Written notice of such meetings shall be given to each director five days or more before the meeting is to take place, provided that a meeting may be held at any time if all the directors are present or if those absent have waived notice of or otherwise signified their consent to such meeting being held in their absence or have approved or signified their approval in writing to the proceedings taken at the meeting. The board may appoint a day or days in any month or months for regular meetings, at an hour or place to be named, and of such regular meeting, no notice need be given.

Casual Vacancies

5. In the event of any vacancy occurring in the office of director, the remaining directors may fill the vacancy from among the members for the unexpired portion of the term of office of the person whose office is vacant.

OFFICERS

ARTICLE IV

1. The officers shall consist of an Honorary President, an Honorary Vice-President, a President, First, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary, a Secretary and a Treasurer. The board of directors may from time to time elect or appoint such other officers as it shall deem necessary. The President and the Vice-Presidents shall be directors of the club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice-President shall be eligible for office unless he is a member in good standing. The President shall, when present, preside at all meetings of the members and of the board of directors. During the absence or inability to act of the President, the Vice-Presidents in order of seniority shall act as Chairman at such meetings and otherwise perform and exercise the duties and powers of the President.

Appointment of Officers

2. The board of directors shall meet as soon as convenient after their election for the purpose of appointing the officers of the club for the period ending April 30 in the next year but each officer shall continue in office until his successor is elected.

Casual Vacancies

3. In the event of a vacancy occurring in any office the board of directors may fill the vacancy for the unexpired portion of the term.

Honorary Auditor

4. An Honorary Auditor shall be appointed at each annual meeting. An audited statement of the finances of the club for the fiscal year shall be published annually and a copy shall be sent to each member.

COMMITTEES

ARTICLE V

1. The following standing committees and the chairman of each shall be appointed by the board of directors as soon as convenient after the election of the board:
    - (a) Budget and Finance Committee
    - (b) Speakers Committee
    - (c) Membership Committee
    - (d) Constitution Committee
    - (e) Reception Committee
    - (f) Publicity and Public Relations Committee
    - (g) Year Book Committee
    - (h) Head Table Committee

    provided that for any year the board of directors may by resolution elect not to appoint any one or more of such committees.
2. The President or the board of directors may from time to time appoint such other committees as may be deemed expedient.

MEETINGS OF MEMBERS

ARTICLE VI

General Meetings

1. The club shall hold general meetings weekly, if possible, from October to April, both inclusive, in each twelve months with such intermissions as may from time to time be determined by the board of directors. Special meetings of the club may be called at any time by the President.

Annual Meeting

2. The annual meeting shall be held not later than April 30 in each year. At the annual meeting a report of the year's proceedings and work shall be submitted by the President and this report shall be accompanied by an interim report from the Secretary-Treasurer.

Notice of Meetings

3. Written notice of all meetings of members shall be given all members of the club before the date on which the meeting is to be held. Such notice shall be sufficient if addressed to the members, and deposited post paid in the post office in Toronto. The accidental failure or omission to give notice to any member shall not invalidate the proceedings at any meeting.

Quorum at Meetings

4. Sixteen members in good standing shall constitute a quorum at any meeting of the club, general, annual or special, and the Chairman of the meeting shall have a casting vote.

Limitation of Business at General Meetings

5. No business other than the hearing of the addresses shall be introduced at any meeting of the club by any person other than the chairman of the meeting, unless it has been submitted to the board of directors and received its approval

FISCAL YEAR

ARTICLE VII

The fiscal year of the club shall end on such day in each year as may be fixed by the board of directors but unless so fixed by the board shall end on April 30.

AMENDMENTS

ARTICLE VIII

Subject to the provisions of The Corporation Act this constitution may be amended by the board of directors, but unless in the meantime confirmed by a majority of the members present in person at a meeting of the members duly called for that purpose, any amendment is effective only until the next annual meeting of members unless so confirmed thereat and, in default of such confirmation thereat ceases to have effect at and from that time, and in that case no new amendment of the same or like substance has any effect until confirmed at a meeting of the members.

Membership

1975-1976

HONORARY MEMBERS

Cartwright, Rt. Hon. John R., Q.C.
Comber, Walter W.
Gardiner, F.G., Q.C.
Geary, Major B.H., V.C.
Harpham, Horace
Jamieson, H.T., F.C.A.
Kemp, A.S.H.
McIntyre, W. Malcolm
Michener, The Rt. Hon. Roland, C.C., P.C., Q.C., LL.D., D.C.L.
Miles, Ernest
Ralph, R. Ford

LIFE MEMBERS

Allan, William N.
Anderson, D.S.
Ash, W.M.V.
Bassett, J.
Batty, Joseph
Baxter, Ian S.
Beare, S.E.
Beatty, D.S.
Bennett, Dr. Ross C.
Best, Douglas W.
Boyles, Thomas A.
Brooks-Hill, F.B.
Burns, Charles F.W.
Burke, E.T.C.
Carter, Charles
Caswell, W.A., J.P.
Cobham, Arthur H.
Craig, Lt. Col. John A.D.
Cranfield, Dr. Harold V.
Crummey, Dr. Clarence B.
Deacon, Fraser
DelZotto, Elvio
Douglas, Lt. Col. R.G.
Du Vernet, E.A., Q.C.
Eaton, Donald L.H.
Eisen, Sol.
Fabbro, Joseph J.
Fletcher, S.S.
Frost, Lt. Col. C.S. Jr., Q.C.
Gillingham, Harold G.
Gore, Graham M.
Griffin, Ian A.
Griffin, John W.
Hargraft, G.M.
Hellyer, Hon. Paul T., P.C., M.P.
Hermant, Adam B.T.
Hermant, John D.
Hermant, Peter
Hermant, Sydney
Hilborn, Col. Robt. H., M.V.O., M.B.E., C.D.
Hoffman, Charles C.
Holliday, John R.
Howse, T.H.
Hughes, James O.
Hyland, Dr. Herbert
Inwood, A.E.M.
Jackman, H.N.R.
Jackman, H.R., Q.C.
Jackman, W. Henry
Joyce, James H.
Jupp, Lt. Col. D.H., O.B.E.
Karn, William M.
Kent, J. Palmer, Q.C.
Keys, N.A., M.C., Q.C.
Lambert, A.T.
Lawson, H.R.
Legge, Maj. Gen. B.J., Q.C., E.D.
Mackinnon, Lt. Col. A.P.
Matthews, Maj. Gen. A.B.
Matthews, Brig. F.B., C.B.E., Q.C.
May, Miss Gladys

McCrimmon, Maj. J.S.G.
Mikkila, W.G.
Mylrea, A.J.
Neelands, D.G.
Pallett, John C.
Parish, Dr. James A.
Reuber, Grant L.
Ridley, John B.
Rokeby-Thomas, The Rev. Dr. H.R.
Roman, S.B.
Royce, Col. E.A., E.D.
Rutherford, Lt. Col. R.C.
Sandy, J.
Shefsky, Samuel V.
Smeed, J.R.
Stark, Hon. Mr. Justice Alexander, Q.C.
Strathy, Col. J.G.K.
Sullivan, Hon. J.A., M.D.
Thompson, Eric F.
Thomson, K.R.
Turnbull, R.
Waldie, Gordon
Watkins, William B.
Webster, R.H.
Williams, J.K.
Winkler, Sydney
Wotherspoon, G.D.
Yamaguchi, Koichiro

REGULAR MEMBERS

Aaron, Raymond
Abbott, A.C., M.P.
Abel, Albert S.
Abernethy, Wilson
Adair, Joseph
Adam, James L.
Adams, George W.
Adams, J.C.
Adams, P.A.
Adams, Ms. Patricia
Adams, W.H.
Adamson, Edwin F.
Adamson, G.A.
Adamson, Walter
Addison, Wm. G.
Ades, David
Adley, Anthony
Adourian, S.
Adye, Rev. Canon E.R.G.
Agar, Harold A.
Aggett, Harold G.
Agnew, Ella
Aitchison, Ian A.
Aitken, Peter M.
Akerfeldt, Stephen C.
Alberts, Edgar T.
Albery, A.C.R.
Alboini, V.P.
Aldridge, Miss Doris
Alexander, H.H.
Algie, Constance
Ali, Mrs. Shastri
Allan, Dr. Blandford
Allan, Gordon F.
Allen, C.R.E.
Allen, Ms. Donna C.
Allen, Ivan V.
Allen, Miss Jane E.
Allen, John F.
Allen, Michael
Allen, Dr. Michael S., F.R.C.S. (C)
Alles, David K.
Allingham, N.W.
Allison, A.
Allport, D.A.
Allworth, Mrs. Mona C.
Alton, T.R.
Amato, L.
Ambrose, Graham H.
Ambrose, Sheriff P.J.
Amos, J.L.
Andary, Gerhard
Anderson, Allan J.
Anderson, D.
Anderson, Donald R.
Anderson, Douglas D.
Anderson, G. Bradley
Anderson, J.B.
Anderson, Dr. J.G.D.
Anderson, John M.

Anderson, Lt. Gen. W.A.B.
Andras, K.B.
Andrew, Donald E.
Andrews, Stewart M.
Andrunyk, Col. S.F.
Angevine, John S.
Angus, D.L.
Angus, Jas. K.
Anklewicz, Larry
Annau, Ernest
Anthony, R.F.K.
Apple, B. Nixon, Q.C.
Appleton, C.N.
Appleton, D.C.
Apted, Richard B.
Archbold, Wm. D.
Archer, Vern
Archibald, C.R., Q.C.
Archibald, H. David
Arino, Yoshiro
Armes, William P.
Armour, A. Douglas
Armstrong, Arthur S.
Armstrong, Frank G.
Armstrong, G.E.
Armstrong, Gordon V.
Armstrong, G. Warren
Armstrong, Jas. A.
Armstrong, Michael M.
Armstrong, Robert L.
Arthur, J.G.
Ashton, Mrs. Toni
Astley, D.B.
Atherton, C.
Atkey, Ronald G.
Atkins, David H.
Atkinson, David W.
Atkinson, Miss Linda
Attewell, W.C.
Ausman, Leland H.
Austin, J. Jarvis
Austin, Peter D.
Avery, William M.
Axford, Michael J.
Aymong, A.M.
Azzarello, A.

Babcock, Harold A.
Babensee, Robert W.
Babra, Avtar Singh
Back, Samuel
Badgley, F.H.
Baehr, Hans A.
Bahlman, Miss Myrtle
Bailey, H.V.
Bailey, John H.
Bailey, William H.C.
Bailie, A.A.
Baillie, Aubrey
Bain, R.W.
Bainard, Roy H.
Baker, Herb F.
Baker, J.J.
Baldry, I.H.
Bales, Dalton A.
Balfour, Ian C.C.
Balfour, Norman E.
Ball, Gordon R.
Ball, H. Graham
Band, Miss Sarah
Bankes, J.M.
Banner, Dr. Mac
Barber, Col. J.R., E.D., C.D.
Barber, William
Bardsley, J.W.
Bark, Chad F.
Barltrop, C.S.
Barnes, Mrs. Marjorie
Barrett, L.C.
Barrow, J.C.
Barstow, J.M.
Bassel, J.P., Q.C.
Bastien, Dr. Gerard
Batchelor, Gordon T.
Bate, Wm. B.
Bateman, Mrs. Aileen L.
Bath, D.H.W.
Baxter, R.D.
Baxter, Robert J.
Beamish, K.J.
Bean, Douglas A.
Bearge, Mrs. J. Edna
Beattie, A.L.
Beattie, Ms. E.L.
Beattie, Thomas J.
Beatty, R.I.
Beauchamp, Walter N.
Beauregard, Roland D.
Beavis, Frederick J.
Beck, Howard L.

Becker, Mrs. Claire
Becker, Jack
Becker, Miss Jane
Beckerman, Irving
Bedal, Prof. C.L.
Bedborough, Mrs. Cynthia
Beeston, Major A.C.
Belbeck, Kenneth G.
Bell, B. Gen. G.G.
Bell, J. Donald, Q.C.
Bell, Norman B.
Bell, Norman H.
Bell, Norman O.
Bell, W.E.
Belyea, Abner B.
Belyea, Roy E.
Ben, George
Bennett, Hon. Claude F.
Bennett, Chief Judge Colin E.
Bennett, David T.
Bennett, Ms. Jalynn H.
Bennett, M. Joslin
Bennett, Peter F.
Bennett, R.F.
Benson, Philip W.
Bentley, D. Fraser
Berghuis, Wm. W.
Bernardine, Ashley
Berry, Harold R.
Berry, Dr. Henry
Besko, Mrs. A.
Best, Dr. Charles Alexander
Betts, David W.
Betts, J.G.
Bickerstaff, Mrs. Jean
Biddell, J.L.
Bidel, William
Bielski, Casimir M.B., Q.C.
Biggs, G.L.
Biggs, Stanley C., Q.C.
Bilbrough, W.H.
Bilodeau, André
Binmore, David R.
Binnie, William Ian Corneil
Birch, Hon. Margaret
Bird, S.J. Glenn
Biringer, Paul P.
Birkenmayer, Mrs. S.A.
Birrell, L.P.
Birrell, Dr. R.G.
Bjarnason, Thomas H.
Blachford, H.A.
Blackwell, Cy
Blaikie, Ross W.
Blair, Florence L.
Blair, S.M.
Blair, W. D'Arcy
Blair, Willis L.
Blanchard, H.A.
Blane, Robert
Blaney, James William
Blay, J.A.
Bloemen, P.J.M.
Boddy, R. Paul
Bolliger, Heinz E.
Bongelli, Tello
Bonham, J.T.
Bonnycastle, J.C.
Bonnycastle, Law C.
Bonus, W.H.
Book, Ira E.
Booth, Mrs. Margaret
Boraks, Richard R.
Borinsky, Maxime
Bosanquet, L.C.
Bot, William B.
Botnick, Harry P.
Botnick, Reuben
Boukouris, Paul G.
Bourne, F.R.
Bousfield, Mrs. John R.
Bowerman, Ms. Joyce E.
Bowes, James C.
Bowles, William M. Jr.
Boyd, W.H.C.
Boyd, Winnett
Boyko, Jos. LL.D.
Boyle, David A.
Boyle, J.A.
Bradley, Robert A.
Bradshaw, Mrs. Marian
Brady, H.F.
Brain, George M.
Braithwaite, L.A.
Brannan, C.E.
Brant, Reuben
Braune, William M.
Bray, Harry S.
Breckenridge, P.D.
Breckenridge, R.J.

Brehaut, Prof. Willard
Brennan, Lt. Col. David
Brent, John E.
Brethour, E.J.
Breuer, K.
Bridges, R. John
Bright, John C.
Brissenden, W.G.
Bristoll, Charles H.
Broad, R.L.
Broadhead, John F.
Brock, Frederick W.
Brodsky, Jack
Brook, Edward
Brook, Mrs. Edward
Brooks, Dr. C.E.
Brooks, Herbert
Brown, Arthur E.
Brown, Colin M.
Brown, Dr. Corbin A.
Brown, Brig. H.E., O.B.E., E.D., C.D.
Brown, Mannie
Brown, Murray D.
Brown, Ross L.
Brown, W. Stuart
Brownbill, H.F.
Brule, J.A.
Brundage, C.
Brunskill, A.M., F.C.I.S.
Bryan, John
Bryson, Ms. Dorothy
Buchanan, W.W.
Buchinger, Alfred
Buddenhagen, W.C.
Bull, John S.
Bulmer, J.C.
Bundy, Robert G.
Bunting, Pearce
Bunton, James
Burbridge, O. John
Burden, Bruce C.
Burgess, A.C.
Burgess, H.T.
Burnard, F.S.
Burne, David
Burnes, J.M.
Burns, George R.
Burns, James E.
Burns, Jeffrey
Burns, Lt. Col. L.J.W.
Burnside, E.G.
Burt, Miss M. Elizabeth
Burton, Lt. Col. G.A.
Buski, Richard S.
Butler, Ian

Calderone, Gus V.
Caldwell, Doug
Calvert, William
Cambridge, John Donald
Cameron, Donald Ross
Cameron, Edwin J.
Cameron, Major Rev. Ross K.
Campbell, D.L.
Campbell, Duart A.
Campbell, Duncan
Campbell, E.M.
Campbell, Miss F.M.
Campbell, H.G.
Campbell, Jack
Campbell, Mac D.
Campbell, R.Y.W.
Campbell, W. Allan
Campbell, W. Clarke
Campion, John A.
Cane, A.
Cappe, Joe, B.COM.
Cappe, N.R., Q.C.
Carey, John
Carlisle, Donald H.
Carlson, Col. C.B.
Carnegie, A.D.
Carnegie, James G.
Carnwath, Mrs. Nancy
Carpenter, Dr. T.A.
Carr, E.P.
Carrie, Dr. Alan
Carrie, Mrs. Jean
Carroll, C.A.
Carroll, Peter J.
Carruthers, Alex
Carson, C.E.
Carter, Mrs. Ella
Carter, M.F.K.
Carter, Mrs. M. Olivia
Carter, Robert Brown
Carter, S. Owen
Cartwright, D.H.
Casey, E.M.
Casse, Joseph

Casselman, Miss Nancy
Castel, André
Cater, Gordon
Catto, Lt. Col. John, C.D.
Caty, Charles
Caulfield, Anthony
Cavoukian, A.
Cavuoto, Mario
Cawfield, B.S.
Cayley, Hugh
Chadwick, Derek T.
Chalmers, Floyd S.
Chambers, H.J.A.
Chandler, C. Howard
Chant, Dixon S.
Chapin, C.J.
Chapman, S.F.
Chapman, Wm.
Charbonneau, Michel
Charlton, Ms. C.R.
Chartrand, Mrs. J.L.F.
Chartrand, Rupert Hugo
Chase, T. Millar
Cheshire, Susan W.
Chester, Lane R.
Chestnutt, James T.
Chetwynd, Sir Arthur R.T.
Chetwynd, Robin
Child, Rodney L.J.
Chisholm, Robert W.
Chisholm, Tim
Chisholm, William J.
Chittick, J. Robert
Chote, Rev. Canon A.A., B.A.L. TH.
Christian, Francis G.
Christian, Brig. J.D., C.B.E.
Christie, Huntley
Christie, Col. J.H., M.C., E.D.
Christie, Dr. R.J.
Christmas, Milton H.
Cianci, Ms. Luciana
Ciglen, Samuel, Q.C.
Citron, Donald
Clappison, John H.
Clark, Basil
Clark, B.H.
Clark, Bonnie
Clark, E.G.
Clark, Miss H.A.L.
Clark, H. Spencer
Clark, Joseph A.P.
Clark, Philip T., F.C.A.
Clark, Robt. F.
Clarke, Graham
Clarke, James H.
Clarke, K.H.J.
Clarke, Marnie A.
Clarke, W. James
Clarkson, W.D.
Clarry, John H.C.
Classen, R.A.M.
Claydon, James Henry
Clemens, David B.
Clement, Ms. Lorraine
Clements, John B.
Clifford, C.T.
Clifford, R.G.
Clow, E.E.
Cochrane, Frank
Cockburn, Donald W.
Code, J.M.W.
Coe, Mrs. Patricia
Cohen, John C.
Colbourne, Douglas S.
Coldoff, William
Cole, John B.
Coleman, Dean Arthur E.
Colhoun, J.L.A.
Collins, Herbert
Collins, Ian Jerrold
Collins, J.A.
Collins-Williams, Dr. Cecil
Collins-Williams, G.W.
Collombin, Bev
Colwell, Charles W.
Combs, John W., Sr.
Combs, John W., Jr.
Comisarow, Dr. Richard
Comish, D.S.
Conrad, J.C.P.
Consulate General de France
Cook, F. Gordon
Cook, G.A.
Cook, J. Gordon
Cook, John H.
Cook, Robert A.
Cooke, G.A.
Cooper, Geoffrey C.
Cooper, S.C.
Cooper, Ms. Virginia

Cooper, Mrs. W.O. North
Copping, Leo G.
Corbett, Marie C.
Corder, David R.
Cork, E. Kendall
Cornell, Ervin
Cornell, Mrs. Susanne C.
Cornell, William R.
Cornish, His Honour, Judge F.J.
Corson, C.R.
Cosburn, W.D.
Cosby, Stanley C.
Cosman, Robert W.
Cotnam, Dr. Harold Beatty
Cotnam, William Joseph
Couch, E. Eileen
Coull, Charles A.
Coulthard, W.W.
Coupland, W.C.
Coutts, Elgin E.
Covernton, G.S.
Covshoff, P.R.
Cowan, W.D.
Cowling, A.H.
Cowper, David B.
Cowperthwaite, G.H.
Cox, Rev. Wilbert C.
Craft, Robt. F.
Crang, J.H.
Crann, Howard N.
Cranston, R.A.
Crashley, Lt. Col. J.D., C.D.
Crawford, H.P.
Crawley, Mrs. Lenore
Creba, D.G.
Crewe, Miss Nola Susan
Crichton, Ms. A.
Crichton, R.J.
Crispo, F. Martin
Critchley-Waring, Angus C.B.
Crockett, Arthur H.
Croll, David A.
Crompton, M.W.
Crone, R.
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Cross, W.B.
Crossley, J.K.
Crothers, George
Crothers, Hugh A.
Crow, Stanley
Cruden, J.S.
Cruickshank, Mrs. D.
Cudbird, L.J.
Culnan, Dr. G.F.
Cummings, R.L.
Cummings, W.M.
Cunningham, Ms. Margaret
Cunningham, Paul F.
Cunningham, Wallace
Curran, William
Currie, D.W.
Curry, Ralph D.
Curry, T.E.
Curzon, Thomas D.
Cushing, Dave
Cuthbert, Norman S.
Cutler, Donald M.
Cutler, J.F.

Dabolczi-Fekete, Miss D.
Dack, Dennis A.
Dale, Pauline
Dale, R.G., D.S.O., D.F.C.
Dale-Harris, R.B.
Dalglish, Peter
Dalton, Charles O.
Dalton, Wm. H.
Daly, R.A.
Dane, Miss N.L.
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Darville J.S.
Davey, John P.
Davey, Senator Keith
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Davidson, Dr. D.A.
Davidson, I.D.
Davidson, J. Craig
Davidson, Miss True
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Davies, K.G.
Davis, Derek A.T.
Davis, Hon. William G.
Davison, Dr. W.E.
Davy, Henry M. III
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Dean, Harold B.
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Deeks, William G.
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Denman, Robin D.
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Dennison, William
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Derbecker, J.L.
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Derry, Dr. Duncan R.
Desautels, Marcel A., B.A., LL.M.
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Devenney, Hart M.
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Dillon, Robert M.
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Dixon, A.B.
Dixon, John
Dobell, Douglas J.
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Dogterom, George C.
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Doner, Edgar D.
Doran, Michael J.
Doty, Robert V.
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Dougall, R.W.
Doughty, Clifford
Douglas, C.R.
Douglas, J.F.M.
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Downer, The Hon. Rev. A.W., M.P.P.
Downie, H.R.
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Dowsett, R.E.
Dowsley, Gordon
Doyle, E.E.
Doyle, Kevin J.
Doyle, Richard J.
Dragone, A. George
Draimin, Peter K.
Drees, F.K.
Drolet, J.L.
Drowley, W.B.
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Drynan, William I.K.
Drysdale, Mrs. Jessie G.
Dubin, Hon. Mr. Justice C.L.
Dudek, Bryan A.
Duffield, E.S.
Dukelow, Ms. Daphne A.
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Dunbar, A. Carlyle
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Dungey, E.B.
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Durnan, David
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Dynes, Henry E.

Eadie, Donald R.
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Eakin, Joseph S.
Easson, E.B.
Eastoe, S.A.
Eastwood, G.E.P.
Eaton, F.
Eaton, John Craig
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Ecclestone, A.M.
Eckert, B.H.

Eckler, Samuel
Eder, Gordon
Edey, K.S.
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Eisen, D.M.
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Elliott, Stephen
Ellis, William F.
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Erdman, M.D.
Erdos, Michael
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Evans, Lancelot Stembridge
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Evenson, L.R.
Everard, Frank
Eyton, Trevor

Fairclough, Peter
Fairclough, R.P.
Falardeau, Jean Claude
Fallis, Geo. A.
Faludi, Dr. E.G.
Faraday, Grant R.
Farlinger, A.W.
Farlinger, W.A.
Farmer, Rev. Carl V.
Farquhar, Gordon N.
Farquharson, W.R.
Farrow, W.C.
Faultless, Edward D.
Fawcett, Patrick
Fayle, L.V.
Fell, F.M., Q.C.
Ferguson, G.S.P., Q.C.
Ferguson, P.B.G.
Ferris, John
Field, D.G.
Fields, Gerald S.
Findlay, James V.
Fine, George E.C.
Finlay, Joel F.
Finlay, Warren A.
Firstbrook, W.A.
Fischer, Conrad
Fisher, Alex
Fisher, Alex D.
Fisher, A.J.
Fisher, Ms. Cathy Carroll
Fisher, F.R.
Fisher, John
Fisher, J. Taylor
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Fleming, Hon. Donald M.
Fleming, G.H.
Fleming, J.P.
Fleming, R.J.
Fleming, W.R.
Flint, L.C.B.
Flood, Michael
Flood, Thomas J.
Floras, Frederick
Flynn, Dennis
Fodor, Nicholas
Foley, Mrs. Reta
Fonseca, J.S.
Forbes, Harold
Ford, Gordon W., Q.C.
Forster, D.F.
Forsyth, A.
Foster, Courtney Henry
Foster, David
Foster, Frederick C.
Foster, F.T.
Foster, Robert J.
Foulds, K.A.
Fountain, Bruce
Fournier, R.P.
Fowlds, H. Martyn

Fowler, W.A.
Fox, G.E.
Fox, G.K.
Fox, John H.
Fralick, Kenneth A., C.A.
Fram, Mrs. Gordon
Francis, Frank
Francis, Dr. W.G.
Frankel, Mrs. Egmont
Frankel, Roy H.
Franklin, Dr. Alex.
Franks, H.R.
Franks, Dr. W.R., O.B.E., Q.H.P., M.A., M.B.
Fraser, A.T.L.
Fraser, Blair, Q.C.
Fraser, George A.
Fraser, George R.
Fraser, M.J.
Fraser, The Hon. Mr. Justice Neil
Fraser, Norman
Frechette, William D.H.
Freeman, Derek R.
Freeman, Geoffrey J.
Freeman, L.R.
French, D.J.
French, Paul J.
Freyseng, John
Freyseng, Willis P.
Friedland, Seymour
Friesen, Robert Allan
Froese, Victor E.
Frost, C. Sydney
Fry, E. Ewart
Fry, John R.
Fry, R. Archibald
Fryer, J. Dudley
Funasaka, Shinichi
Funston, Fred. G.

Gaasenbeek, Matthew
Gadsby, Christopher J.
Gainor, J. Robin
Gait, Miss Hilary M.
Gallant, Harry G.
Galloway, Charles T.P.
Gardiner, G.C.
Gardiner, W. Douglas
Gardner, W.J.
Garland, Steve
Garlick, R.D.
Garlick, S. Bruce
Garrow, James B.
Gartley, John C.
Gartley, John David
Gartshore, John B.
Gathercole, Geo. E.
Gausden, M.B.
Gauthier, Paul
Gelber, Marvin B.
Gelleny, Joseph J.
Gentleman, Robert
George, Michael E.
Gerardo, Fortunato J.
German, V.C.
Gerstein, Bertrand
Gerstein, Irving
Gibson, F.D.
Gibson, John D.
Gibson, Kerr
Gibson, Robt. C.
Gibson, Robert O.
Gibson, Brig. Gen. T.G., C.B.E., D.S.O., C.D.
Gifford, Miss Linda J.
Gilchrist, H.N.
Gilday, Thomas P.
Giles, Peter A.K.
Gilkeson, Howard A.
Gillelan, D.R.
Gillespie, Wallace P.
Gillies, J.N.
Glabais, F.J.
Glendinning, John W.
Glenny, A.
Godfrey, J.M.
Godfrey, Paul V.
Goebelle, Graeme
Gold, Mrs. Marilyn
Goldenberg, Miss Susan
Goldie, Naomi
Goldring, C. Warren
Goldsmith, W.L.
Goldson, W.L.
Goldstein, S.W.
Goltz, Miss M.I.
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Goodall, Ronald
Gooderham, F.L.
Goodfellow, E.J.

Goodman, J.O.
Goodwin, J.E.
Gordon, Lt. Col. D.L., M.B.E.
Gordon, Noel
Gordon, Dr. R.A.
Gore, Graham I.
Gorrie, Thomas George
Gotlib, Miss Lorraine, Q.C.
Gouinlock, Robt. W.
Goulding, E.D.
Gourlay, W.B.
Graesser, H.F.
Grafstein, J.S.
Graham, Donald J.
Graham, Deputy Commissioner
  Harold H., O.P.P.
Graham, J. Rennie
Graham, James J.
Graham, Dr. M.E.
Graham, Roger M.
Graham, William E.
Grant, A.R.
Grant, D.R., Q.C.
Grant, J.A.
Grant, Kathleen A.
Graves, John
Gray, A. Earle
Gray, G.C.
Gray, J.F.H.
Gray, W. Douglas
Greason, E.T.
Green, Duncan
Green, Garfield R.
Green, Gordon
Greening, William John
Greenspan, David
Greenwood, L.G.
Greer, Susan Ellen
Gregor, T.P.
Gregorcic, Manfred
Greig, D.N.
Grier, John E.
Grierson, Douglas
Griffin, A.G.S.
Griffin, Allan
Griffin, Shirley
Griffis, Dr. Arthur T.
Griffith, H.M.
Griffiths, John
Griffiths, W. David
Grimes, Ms. Patricia
Grimshaw, John
Grinstead, Mrs. Audrey
Gross, H.
Ground, John D.
Gundy, Charles L.
Gunning, Miss Patricia
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Guy, Kenneth D., P.ENG.
Guyatt, Mrs. Doris E.
Gyles, C.G.E.

Haberer, J.F.
Hadfield, John R.
Hadlow, D.M.
Hain, George W.
Haldenby, D.
Haldenby, Lt. Col. D.C., C.D.
Hall, Hugh B.
Hall, James William
Hall, Lt. Col. N.M., C.D.
Hall, Thomas M.
Halliday, A.C.
Halliday, C.M.
Hallonquist, F.W.
Halpern, Frederick
Ham, Gerald
Hamann, George F.
Hambley, T. Robert
Hamill, George M.
Hamilton, E.H.P.
Hamilton, John B., Q.C.
Hamilton, Milton R.
Hamilton, R.M.P.
Hammell, Mrs. Joan
Hammond, Mrs. Eileen
Hampson, Mrs. Pamela
Handleman, Sidney
Hannaford, D.C.
Hannan, T.M.
Hannon, Dr. J.W.G.
Hanson, David G.
Hanson, George
Hanson, Dr. Peter G.
Harding, Mrs. A.N.
Harding, C.M.
Hargraft, G.L.
Harlock, R.D.
Harper, Robert Ray
Harris, Alfred H.L.

Harris, David A.
Harris, Peter
Harris, R. Jack
Harris, S.J.
Harris, Wm. B.
Harrison, H.P.
Harrison, R.S.
Harrison, Russell Edward
Harron, Mrs. Constance
Harry, K.J.
Hart, Dr. Gerald D.
Hartford, Donald H.
Hartley, Eric L.
Harvey, Stephen A.W.
Harvey, Warren G.
Hassard, Richard J.
Hasted, S.
Hastie, Jack E.
Hastings, C.E.
Hatch, Roger E.
Hathaway, Norman B.
Hathway, Ms. Patricia
Hatt, F.
Hatton, Wm. T.
Haughton, Clifford
Hauseman, John Wilson
Havercroft, W.R.
Hawke, J.H.
Hawkes, Robert Howie
Hawkins, H.J.
Hay, John F.
Hayden, Hon. Salter A., Q.C.
Hayes, Barry B.
Haynes, Eric H.
Haynes, Dr. Robert H.
Hayos, Andrew R.
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Hearn, J.R.
Hearst, H.V., Q.C.
Heath, Wm. B.
Heathcote, F. Bruce
Heather, J.F.C.
Hebich, Norbert
Heeney, E.H.
Heintzman, G.T.
Heintzman, William D.
Held, Peter E.
Hellens, A.D.
Henderson, D.A.
Henderson, D.C.
Henderson, Miss Heather
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Henderson, Lorne C.
Henderson, Wm. R.
Hendrie, George C.
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Hendry, Miss Janet C.
Hendy, R.I.
Hendy, Thos. C.
Henry, Mrs. Bernice
Henry, T. Patrick
Henty, S.
Hepburn, Ms. Dorothy
Hepburn, John T.
Herbert, C.M.R.
Herchmer, Lawrence S.
Hermant, Kathleen
Hermosa, Daniel P.F.
Herrick, John D.
Herridge, W.R.
Herron, John S.
Herz, Dr. C.K.
Hess, Paul, Q.C.
Hickey, David W.
Hicks, Douglas James
Hider, Ronald T.
Higham, Geoffrey E.
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Hill, A.N.
Hill, Edward D.
Hill, F.C.
Hill, Harry D.L.
Hill, John B.
Hill, Lorne R.
Hill, Roy C.
Hill, William S.
Hilliard, Major R.R.
Hilliard, T.R.
Hillier, Ms. Suzanne L.
Hillyer, Most Rev. Nelson D.
Hilton, J.D.
Hines, W.J.
Hintjens, F.
Hirasawa, Goro
Hiron, A.F.
Hitchins, Capt. Douglas H.
Hoare, John A.
Hobbes, H.R.
Hobson, Mrs. Claire
Hobson, Richard J.

Hockin, Alan
Hodder, Rev. B.L., B.A.
Hodge, C. Roy
Hodgins, Edgar
Hodgson, Margaret S.
Hogan, A.A.
Holford, John G.
Holland, The Honorable
  Mr. Justice R.E.
Hollands, H. Claude
Holliday, John R.
Holman, Dorothy
Holmes, B.T.
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Holt, M.O.
Holtby, Philip N.
Hooker, Edwin R.K.
Hooker, Peter
Hope, Allan J.
Hopkins, A.H.
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Horsey, G.
Horte, Vernon L.
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Horton, J.A.
Horvath, Lt. Col. E., E.D.
Houghton, P.J.
Houser, Bruce
Houston, C.W.
Houston, Stan D.
Howard, B.C.
Howard, J. Robert
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Howe, Arthur C.A.
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Howe, Phillip
Howes, Paul Gregory
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Howsam, A.V.M., G.R., C.B., M.C.
Howse, Rev. E., S.T.M.
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Hudson, John Parkes
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Huggard, Major C.O.
Hughes, Campbell B.
Hughes, David J.
Hugill, Albert E.
Hugill, W.M.
Hume, F.R.
Humphries, Robert H.
Humphries, W.R.B.
Hungerford, J.G., Q.C.
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Hunter, B. Pepall
Hunter, L.M.
Hunter, Lt. Col. P.W., C.D.
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Hutchison, K.G.
Hutchison, Wm. G.
Hutchison, W.L.
Hutton, D.F.

Ide, T.R.
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Inwood, William J.
Ippolito, Aldo
Irvine, Donald R.
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Irwin, D.D.
Irwin, John
Isbister, P.D.
Istl, Frederick A.
Ivey, C. Robert

Jacklin, Ms. June
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Jackson, E.S.
Jackson, George B.
Jackson, G.E.
Jackson, Lt. Col. M.I., C.A.
Jackson, Miss Patricia
Jackson, Philip Berney, Jr.
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Jacobsen, Ms. Valerie

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James, W.L.G.
Jameson, A.G.
Jameson, C.W.
Jamieson, Charles N.
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Janiss, Dr. Eugene
Janssen, M.G.J.M.
Jardine, Roland G.
Jarrell, James D.
Jarvis, Albert
Jarvis, Cecil A.
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Jeffrey, A.H.
Jeffrey, Mrs. Robin
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Jenkins, C.R.
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Johnston, Norman Meredith
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Jones, T.L.
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Josephson, Dr. J.E.
Jousse, Dr. A.T., F.R.C.P.(C)
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Joynt, Dr. G. Henry
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Jull, R.D.
Juneja, Diljit S., F.I.A., F.C.I.A.
Junger, Peter C.
Jupp, E.A., Q.C.
Jupp, G. Alex.
Justice, C.A.
Justin, Jan

Kaiser, Gordon E.
Kalsbeek, H.
Kane, Hugh P.
Kangas, K. Fred
Karfilis, James
Karn, Donald W.
Kasprow, W.
Kasravi, Fred
Kavanagh, Terence
Kay, Robert
Kay, W.R.
Kayler, R.L.
Kealey, Ms. Jocelyn
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Kearns, James H.
Keavenly, Derek G.
Keefe, T.J.
Keefer, Thomas C., P.ENG.
Kehler, Wm.
Keir, William
Keith, Anthony
Kelleher, E. John
Kelly, Dr. A.D.
Kemp, S.F.
Kenly, Miss Judith
Kenly, Miss M.L.
Kennedy, A.P.
Kennedy, Joseph
Kennedy, Paul W.
Kenny, M.K.
Kent, David S.
Kent, Mrs. D.S.
Kent, Deborah Allyson
Kent, T.D.
Kent, T. Edward
Kerekes, Andrew Z.
Kernaghan, E.B.
Kernaghan, K.W., Q.C.
Kerr, James W.
Kerr, John E., Q.C.
Kerr, Wm. R.
Kershaw, V.B.
Keyes, Norman J.

Kihn, Richard K.
Kilvert, Philip H.
Kimball, John S.
Kimber, J.R.
King, C. Wallis
King, Christopher C.
King, John Leslie
King, T.A.
King, Wilfred B.
King-Wilson, Ms. Joy D.
Kinghorn, A.A.
Kingsmill, Mrs. Mary C.
Kinnear, David
Kipping, Brian
Kircheiss, Mrs. Ellen A.
Kirkland, Graeme
Kirkpatrick, Roland C.
Kirschbaum, Dr. Jos. M.
Kirtz-White, Ms. K.
Kitching, Major Gen. George
Klein, Stephen H.
Knebel, Norman M.
Knief, Byron L.
Kniewasser, A.G.
Knight, J. Forbes
Koby, Victor
Koehler, K.G.
Koffler, Murray B.
Kofman, Dr. Oscar S., F.A.C.P., F.R.C.P.(C)
Kogler, Rudolf K.
Koltun, Nadia
Kortright, L.H.G.
Kostka, Lt. Col. W., C.D.
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Kozak, Lubomir
Koziebrocki, Irwin A.
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Krivel, Miss Elaine
Kronbergs, T.E.

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La Brie, F. Eugene
Labrie, Warren Stephen
Lace, Brigadier F.D.
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Laffey, James V.
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Laidlaw, R.A.
Laing, G. Blair
Lake, J.F.
Lambert, Michael M.
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Lamey, Lawrence
Lammers, Hans
Lamont, D.H.L., Q.C.
Lamothe, L.R.
Lamoureux, Robert Edward
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Landry, J.A.
Lane, Richard J.
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Langlois, Reginald H.
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La Prairie, Leon
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La Rochelle, A.B.
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Legge, W.R.

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Lewis, Major R.W., C.D.
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McNamara, H.
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Medland, C.E.
Medland, Robert
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Meech, R.G., Q.C.
Megginson, Clifford
Meiklejohn, Dr. R.B.
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Meredith, Dr. Rice H.
Merifield, R.R.
Merrilees, T.
Merry, Christopher W.E.
Metcalfe, Gordon J.
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Milic, Vladan
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Moffat, Miss Barbara E.
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Moffatt, Earle E.
Moffitt, Ivan
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Mohr, Lionel C.
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Moles, John E.
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Molyneux, Kenneth S.
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Monteith, G.K.
Monteith, N.B.
Montgomery, Lt. Col. M.
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Morgan W. Trefor
Moriyama, Raymond

Morneau, W.F.
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Morrison, Rev. George M.
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Morton, Judge M.D.
Mott, Terence G.
Mottershead, C. Ian
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Muir, Lt. Col. Charles A.
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Mulloy, Mrs. Sadie
Mulrooney, Lt. Col. F.
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Munn, Charles H.
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Munro, John M.
Munsey, Basil
Murden, K.G.
Murdison, A.R.
Murphy, A. Charles
Murphy, A.P.
Murphy, Thos. H.
Murray, G.G.
Murray, L.C.
Mussell, G.R.
Mutrie, Fergus
Mutrie, Dr. R.R.
Mutton, Gerald C.
Mylet, Gordon A.
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Nachman, Gabriel
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Near, J.D.
Neeser, Rudolf M.
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Nelles, Edward
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Nicholson, K.E.
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Obansawin, Roger
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O'Connor, Thos. P.
Oda, Miss Beverley Joan
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O'Reilly, Rossa
Orenstein, Samuel
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Oxley, Frank

Pacaud, G.E.A.
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Ritchie, Lady
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Robertson, R.N.
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Rubin, Dr. Leon J.
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Russell, Major T.B., C.D., B.A.
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The members of the Empire Club have long been aware of the unique value of the annual volume of addresses, published without interruption since the Club's first year, 1903-1904.

As a long continued record of contemporary Canadian affairs it has no peer. It is probably the most-frequently consulted annual in Canada as a source book for students, public speakers, Members of Parliament (the Parliamentary Library has a complete set) and all who wish to know what the leading authorities of the day have thought over this period of more than seventy years.

The Empire Club Foundation, a registered charitable foundation, has as one of its objects the widespread distribution of this outstanding annual. The Yearbook you are reading now will be distributed to libraries from coast-to-coast. These number 3,900 and include every public, university, college and high school library in Canada. This is made possible by the generosity of our contributors.

In addition it proposes, as funds become available, to make other contributions to the educational life of Canada.

Those individuals and companies whose names follow have recognized the worth of this programme by their contributions to the Foundation during recent months. Contributors to The Empire Club Foundation are divided as follows: those who have given $250.00 or more are known as BENEFACTORS and those who have given less are known as DONORS. All gifts are gratefully received. The list that follows includes the names of all who have contributed between September 1st, 1975 and August 31st, 1976. Great care has been taken to make this list accurate. If there are mistakes we ask for your indulgence and would appreciate a note telling us how we erred.

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AUDITORS' REPORT

To the Members of
The Empire Club Foundation

We have examined the balance sheet of the Empire Club Foundation as at April 30, 1976 and the statement of income and expenses and surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of The Empire Club Foundation as at April 30, 1976 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

SMITH, NIXON & CO.
CHARTERED ACCOUNTANTS

TORONTO, July 28, 1976

THE EMPIRE CLUB FOUNDATION

(Incorporated under the laws of the Province of Ontario
as a non-profit corporation without share capital)

BALANCE SHEET AS AT APRIL 30, 1976

ASSETS

	1976	1975
CURRENT ASSETS		
Bank	$ 1,156	$ 2,086
Deferred year book expense	555	234
	$ 1,711	$ 2,320

LIABILITIES

	1976	1975
CURRENT LIABILITIES		
Accounts payable	$ 865	$ –
Surplus	846	2,320
	$ 1,711	$ 2,320

Signed on Behalf of The Board

"R. BREDIN STAPELLS") Directors
"J.W. GRIFFIN")

See accompanying note.

THE EMPIRE CLUB FOUNDATION

STATEMENT OF INCOME AND EXPENSES AND SURPLUS FOR THE YEAR ENDED APRIL 30, 1976

	1976	1975
Income		
Donations	$19,840	$19,072
Interest earned	415	849
	20,255	19,921
Expenses		
Campaign expenses	—	247
Stationery and postage	313	95
Year book expense	21,416	23,801
	21,729	24,143
Excess of expenses over income for the year	1,474	4,222
Surplus — beginning of year	2,320	6,542
Surplus — end of year	$ 846	$ 2,320

See accompanying note.

NOTE TO FINANCIAL STATEMENTS

APRIL 30, 1976

SIGNIFICANT ACCOUNTING POLICIES

(a) The Foundation recognized income from donations when received.

(b) The Foundation recognizes other income and expenses as earned or incurred.